

JULY
1949

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CATOR

In these fast-moving times, old words take on new meanings. It will pay every manufacturer to learn the new definitions. Perhaps our experience with many plants can interpret these new meanings to your profit in your plant.

THE NEW INDUSTRIAL DICTIONARY

(Fourth Revised Edition)

- char'ac-ter**—base or supporting foundation of a machine tool. Not visible. If missing, causes high maintenance, excessive scrap loss.
- com-pet'i-tor**—(sometimes erroneously referred to as "The one who gets all the breaks"). True meaning: the low-cost plant which can undersell. (You could modernize to make that *your* plant).
- de-sign'**—(must not be confused with "gadgets"). Design is quality built into a machine—such as turret lathes—assuring ease for operator, slower obsolescence for machine, larger and more accurate output.
- div'i-dend**—(colloquial, i.e., obsolete in parts of country). In use where plants have been modernized.
- main'te-nance**—form of termite which eats profits. Sure antidote: replace worn machinery such as turret lathes with modern long-life, low-maintenance machines. (In one plant nine Warner & Swaseys have cost only \$2.35 for repair parts in 7 years).
- price**—sum of material, labor, overhead and profit. Since the whole = the sum of all its parts, reduce material cost and you reduce price or increase profit. (Modern Warner & Swaseys reduce material cost by reducing—often eliminating—scrap loss).
- pro-duc-tion**—changeable word. Therefore important your equipment be adaptable—able to earn profit over wide range of production. Method: modern, high-speed, low-maintenance machine tools.
- re-cov'er-y**—period which always follows recession. Comes first, lasts longer, is more profitable—to plants which have modernized.
- tax**—rapidly-spreading heart ailment causing anemia and—if not counteracted—death by strangling. Only cure: strengthen blood-stream of profit by cutting cost. Best method, replacing high-cost turning equipment.
- work'man**—(synonym: partner)—Someone who deserves new machines easy to operate, which let him display his skill, and earn more for himself by being worth more to his employer.

WARNER
&
SWASEY
Turret Lathes

YOU CAN TURN IT BETTER · FASTER · FOR LESS · WITH A WARNER & SWASEY

BIG BUSINESS—NO. 13



A Deficiency of 56 Billions

THE unemployment problem is centered chiefly in the durable goods industries. There is no serious depression in industries that produce non-durable goods.

This difference is reflected by the index of employment, which in September, 1938, stood at 98% for the non-durable industries, against only 69% in the durable goods field.

America used to spend about 19 billions annually for durable goods, based on the average for 1919-29. Since 1932, however, the average expenditure has dropped to less than 11 billions annually, according to

best estimates. The deficiency in the creation of durable goods has therefore totalled more than 56 billion dollars in the past 7 years.

Durable goods largely comprise such things as machinery, tools, new plants and building construction, representing capital expenditures that must be financed through new investment. Encouragement of the free flow of capital into private enterprise is therefore necessary to revive the durable goods industries, balance our economy and solve the most important part of our unemployment problem.

*As bankers for industry, and as trustee for the funds of others,
it is part of our responsibility to contribute something to a
better understanding of the facts about private business.*

BANK OF NEW YORK

48 Wall Street—New York

UPTOWN OFFICE: MADISON AVENUE AT 63RD STREET

Established 1784

Personal Trusts Since 1830

Commercial Banking



A TOWER OF STRENGTH

BANKERS TRUST COMPANY

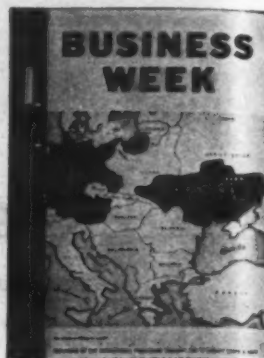
16 WALL STREET, NEW YORK

FIFTH AVE. AT 44TH ST. 57TH STREET AT MADISON AVE.

LONDON: 26 OLD BROAD ST.

Member of the Federal Deposit Insurance Corporation

THIS BUSINESS WEEK



The Shape of Things to Come?

FOR THIS CAPTION to the cover map BUSINESS WEEK turned to H. G. Wells. For an understanding of what lies behind the map, let's first turn back to Munich.

The week before the pact was signed—five days before Chamberlain and Daladier, Hitler and Mussolini met in Munich—BUSINESS WEEK pointed out to its readers some of the then-less-obvious objectives of the Hitler program (BW—Sep. 24 '38, p. 48).

"Chancellor Hitler is not risking war with France, Britain, and the Soviet Union merely to bring three and one-half million Sudetens back into the Reich. His goal is something far beyond Sudetenland, and Prague. It is in the rich oil lands of Rumania, the vast grain fields of the Ukraine, the teeming markets of the East."

Since that time there has been fresh evidence that Berlin has been shaping its policies along this line. Poland and Hungary were not permitted to divide between themselves the extreme eastern tip of Czechoslovakia. Instead, Germany has encouraged free talk of a new Ukrainian state, which would include the 6,000,000 Ukrainians of Poland, the 800,000 of Rumania, and the 32,000,000 in the Soviet Union. This is the Ukraine of the cover map.

London and Paris have gladly accepted the prospect that Moscow would need to make the next major decision in

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A McGRAW-HILL PUBLICATION

opposing or compromising with Hitler in his drive to rebuild Germany. Twenty per cent of the Soviet Union's people live in the Ukraine; 80% of the nation's coal comes from the rich Donbas field in this southern province, which also produces 50% of the steel, 95% of the manganese, 85% of the sugar, 66% of the agricultural machinery for the entire Soviet Union. Surely the Soviets would not yield so rich a territory without a fight; and a fight between Germany and Russia would relieve the pressure of the Nazis on western Europe and the Mediterranean.

Now we approach the spring period set by rumor for Germany's next move to the East. No man can say with certainty what lies ahead. But for a calm, clear appraisal of the possibilities and their business implications, we recommend the story on page 14 of this issue, "Spring Push Under Way." In it BUSINESS WEEK's foreign editor makes clear that, although Franco's apparent victory in Spain may turn the dictators' immediate attention to Africa, the Ukraine of the cover map will remain the principal objective in Hitler's dream of empire.

Worker Exchange

MARSHALL FIELD & Co., which is shaded as a Chicago landmark only by the loop, has been experimenting with a plan of trading employees with companies whose peak employment seasons are the contrary of Field's. Other employers with jumpy employment curves will be interested in the story on page 22.

Plastic Plane

WHENEVER A GROUP gets to talking about national defense and the problems therein involved, somebody is sure to ask, "If Ford automobiles can come routin' tootin' off the assembly line every few seconds, why can't airplanes?"

Then another somebody says, "They could, if Henry Ford did the job." And after that, if there's a production man in the crowd, the talk runs to the structural differences between cars and planes, and why one is adaptable to "Ford" production and the other has not been.

All of which is why an air- and war-conscious nation was taken by the ears last week with the testimony before the anti-monopoly committee of the development of a mass-production plane machine-molded out of plastics. This week the production department takes you behind the skimpy testimony with the story "Plastic Plane" to Speed Output," on page 32.

Having Sampled the Issue

—AND HAVING RUN OUT OF ROOM—WE leave the rest to you. With the hope that somewhere along the line there'll be an idea for you and a charge of ammunition for lunch conversation. You'd probably rather talk than eat, anyway.



Here is your loss— turn him into a profit!

Here represents your non-productive labor. His working hours are limited by law. His wages have risen much faster than the wage rate for productive labor. His share of your payroll is larger and his weight on your cost is heavier today than ever.



In many plants, 25% of the labor is classed as non-productive. In some instances the percentage is much higher. Suppose in your plant it's 20%. That means that of every hundred wage earners, 20 are engaged in non-productive labor.



Much of this non-productive labor consists of material handling—unloading freight, storing it, warehouse handling, bringing it from storage to production, handling materials and parts between processes, storing finished goods, loading trucks and freight cars. If, by improvement in system and equipment, you can transfer five of these 20 men to productive jobs, your net costs will be reduced—Labor and Management will each profit.

Here's the Clark "Carloader." It enables non-productive labor to do more work. It's new. It's the most progressive machine built since the hand truck came into being 40 years ago! It helps Management reduce costs. Ask for a copy of the "Clark Carloader Method." Address: Clark Tractor (Div. of Clark Equipment Co.), 135 Springfield Place, Battle Creek, Michigan.



CLARK CARLOADER

A Plan for SAVING MONEY IN THE USE OF STEEL



A corner of a Ryerson Laboratory where steels are checked for conformity to specification.

★ Thousands of dollars in savings or increased profits are possible for you through the use of more uniform quality steels. The Ryerson Certified Steel Plan which makes this possible is presented in an illustrated book which will prove intensely interesting. It explains how alloys are selected and pre-tested—how accurate data is given to your heat treator for guidance—eliminating testing, spoilage, re-treating—saving many hours, dollars—increasing profits. Let us tell you the complete story. Send for the Certified Steel Book. Coupons included for your convenience. Joseph T. Ryerson & Son, Inc. Plants at: Chicago, Milwaukee, St. Louis, Cincinnati, Detroit, Cleveland, Buffalo, Boston, Philadelphia, Jersey City.

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Firm _____

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NEW BUSINESS

\$900 Overcoat

HERE'S A FURTHER WORD about those \$900 overcoats, mentioned in this column recently . . . Several merchant tailors, including Marty Walker, of New York, and Witlin & Gallagher, of Philadelphia, advertised these bargains—and found a few buyers! . . . The cloth, according to the tailors' joyous ads, was loomed by the Stroock Mills from 100% pure vicuna cloth; "the entire fleece of more than 60 Andean vicunas is required to produce sufficient cloth for just one of these superb overcoats. . . . Only enough of this exquisite cloth is available annually to make 50 of these unique overcoats." . . . The vicuna is a wild, fleet-footed ruminant of the Andes, from Ecuador to Bolivia, and has been hunted so much that it's pretty rare—nearly as rare as buyers of \$900 overcoats.

What's New?

CLYDE COLLINS Co., of Memphis, is making a new breath-chaser called "23 Skidoo." . . . George Abbott's show, "What a Life," in the Locust Theatre, Philadelphia, is being offered at a single price—a flat \$1, including taxes, for any seat in the house.

Our Times

AMERICAN DEPARTMENT STORES are wailing in envy of their British brothers . . . The lowest net margin for 89 typical British department stores for the seven years 1931 to 1937, was 5.69%; the highest was 6.79%, report Professors Arnold Plant and R. F. Fowler, of the University of London, who have written "The Analysis of Cost of Retail Distribution." . . . The American Gas Association will run a gas refrigerator sales campaign from March 1 to July 31.

Old Times

STEINMAN HARDWARE Co., of Lancaster, Pa., is the oldest hardware and industrial supply firm in the United States . . . Founded in 1744, it sold camp kettles to Washington's army at Valley Forge . . . Beginning Feb. 7, the Statler hotels will celebrate their silver jubilee; the late E. M. Statler began hotel operations 25 years ago . . . Goodyear Tire & Rubber Co. is planning a celebration at Akron, Feb. 20 to 23, to mark the centennial of the vulcanization of rubber by Charles Goodyear . . . In last week's issue of BUSINESS WEEK, on page 22, there was a picture of the kind of tepee that will be used along Western highways to provide low-cost lodging for visitors to the Golden Gate International Exposition . . . The Gentleman on the Picture Desk captioned it, "30ers Follow '40ers." . . . When the issue came from the printer, he found

that on page 3 there was a full-page ad by Anheuser-Busch, showing a bearded miner panning for gold—and the caption was, "The 49ers Set the Pace for '39."

Food Farrago

A NEW YORK OFFICE has been opened by a Chicago firm—the International Nat. Co. . . . Tip to packers, butchers, dairy companies, and vegetable growers: advertise your products as preventive of ariboflavinosis . . . Drs. R. E. Butler and W. H. Sebrell of the U.S. Public Health Service have coined that name to denote a condition due to lack of riboflavin in the diet; they say ariboflavinosis causes lesions of the lip . . . "New! A Starch Specifically for Pie Fillings!" advertises the Food Starch Division of the National Adhesives Corp. "The only starch made expressly for this purpose."

She Stuff

MAIDEN FORM BRASSIERE CORP. will make this the biggest advertising year in its history, using 123 publications . . . The Golden Gate International Exposition may or may not exhibit some kind of Sally Rand, but it will certainly exhibit one of those transparent women . . . This particular transparent woman was produced by the Schering Corp., of Bloomfield, N. J., which says it has used "entirely new methods of presentation" to show how "endocrine secretions affect the various organs of the body." . . . Schering sent us an invitation to the premiere of the "Exposition's Sex Hormone Demonstration" at the Astor, in New York, last Monday; and down in the right-hand corner was the word "Cocktails." . . . Who can resist cocktails and transparent sex hormones?

Add What's New?

FLENT'S PRODUCTS Co. is putting out a sleep kit, which contains a light-shield and a package of ear plugs . . . The first streamlined diesel-electric-powered stainless-steel train to be placed in the northern-southern railroad service is the Silver Meteor of the Seaboard Railway . . . It will be displayed at the New York World's Fair grounds for three hours on Feb. 2 and will then leave for Miami . . . Dr. Matthew Luckiesh, director of the lighting research laboratory of G.E., announces the development of a "comfort meter," which counts the blinks made by the eye in reading, and thus reveals how varying types and degrees of illumination affect the eyes and the nervous system . . . In a unique advertising tie-up between a producer of oil and a producer of movies, Pan-American Petroleum Corp. has arranged to use Paramount actors and producers in all Pan-American advertising this year.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau) —Don't expect any speed from this month-old Congress. It simply isn't in the wood. Members have their ears to the ground, their eyes strained for the most likely bandwagon, their brains concentrated on the all-important question of the ages: "What is best for me?"

Those who have not already burned their bridges will be careful about dropping sparks. Some things, such as the relief appropriation, can't be postponed. But, even there, the groping for the most expedient thing—politically—is obvious. Example: Pat Harrison with his amendment for cutting relief, but not turning anybody off.

In the Tradition

MUCH REPORT to expediency always happens every time a very strong man approaches the end of his reign, complicated by a trace of suspicion that this may not be the end.

Nobody knows whom to tie to. Nobody knows who is going to be the next President. Nobody even knows whether the Democratic nominee will be a conservative, a New Dealer, or just a liberal. The whole feeling is best illustrated by an offer of the No. 1 prognosticator in the Democratic camp, that if anyone offered to bet him 100 to 1 that he could not name the next President, he would take it and name Dewey.

Safety First

EVERY CONGRESSMAN knows that merely following the President is not enough to keep him on \$10,000 a year—with perquisites. He also knows that fighting Roosevelt on a few issues is not going to defeat him. But that's not enough. He wants to be on the bandwagon, to dictate patronage to the next President, to be on the locally popular side of each question that comes up. And he wants at least a chance for a lame-duck appointment if the worst happens.

Watching Developments

CRYSTALLIZATION has not begun. It may follow the present debate on relief. It may not come until the neutrality and armament programs are up. The whole picture on economic legislation may change one way if business continues to revive, another if it slumps, another if war comes in Europe.

But make no mistake about this. There are some bores in the House and Senate but most of them are smart politicians. They can feel which way the wind is blowing and, with the exception of a few sturdy characters too patriotic (or too

dumb) to bend, they will wind up on the most promising side.

Radio Buck Passed

THE ROOSEVELT DEMAND this week for a wholesale reorganization of the Communications Commission, and a new

Appointment Questioned



Harris & Ewing

Members of the Interstate Commerce Commission didn't hope that the President would reappoint their esteemed colleague, Balthasar H. Meyer, but they're humiliated by this week's appointment of lame-duck Rep. Thomas R. Amlie (above) of Wisconsin, variously described as a Progressive, Farmer-Laborite, Communist, and, by the President, simply as a non-Democrat. The first flush of protest in the Senate would block confirmation of this advocate of government ownership. This may subside, but New Dealers and Republicans alike are still trying, despite the President's indignation, to check Amlie's qualifications for the job of rail rehabilitation. They find that many of his ideas are supplied by the National Economic & Social Planning Association, an organization which hangs on the fringes of the New Deal and sponsored Amlie's bill last session to set up a 10-year plan for industry—financed by a 25% processing tax.

enunciation of Congressional policy as to the Commission's purpose stems from a Corcoran & Cohen memo, pointing out that the 1934 Communications Act (which is the New Deal's own) didn't provide satisfactory yardsticks on policy, that a commission is an unsatisfactory type of administrative machinery, that the FCC under Frank McNinch has flunked on rate regulation of wire companies and other important jobs, and is up to the ears in feuds.

To cap that, McNinch, appearing before Rep. Woodrum's subcommittee on appropriations Monday, went on the pan for six hours attempting to explain the FCC's time-killing network investigation, and what it's doing regarding multiple ownership, superpower, broadcast station transfers.

Realizing that he wasn't going to be able to block a showdown by Congressional investigation, Roosevelt is trying to shift to Congress the blame for not giving the FCC directions on what to do and how to do it. There's a bill in the mill, also attributed to Corcoran & Cohen, but nobody had seen it when Roosevelt jumped Congress this week.

Railroad Legislation

"NO MORE EASY MONEY" sums up progress so far in the preliminary bouts on railroad legislation. But the government probably will revert to this expedient in the end. Enactment of a comprehensive transportation policy can't be written off this early but it's highly doubtful. House committee hearings on the Lea bill will make the record. Meanwhile, Sen. Wheeler will draft his ideas—if he gets time.

Why Tapp Is Out

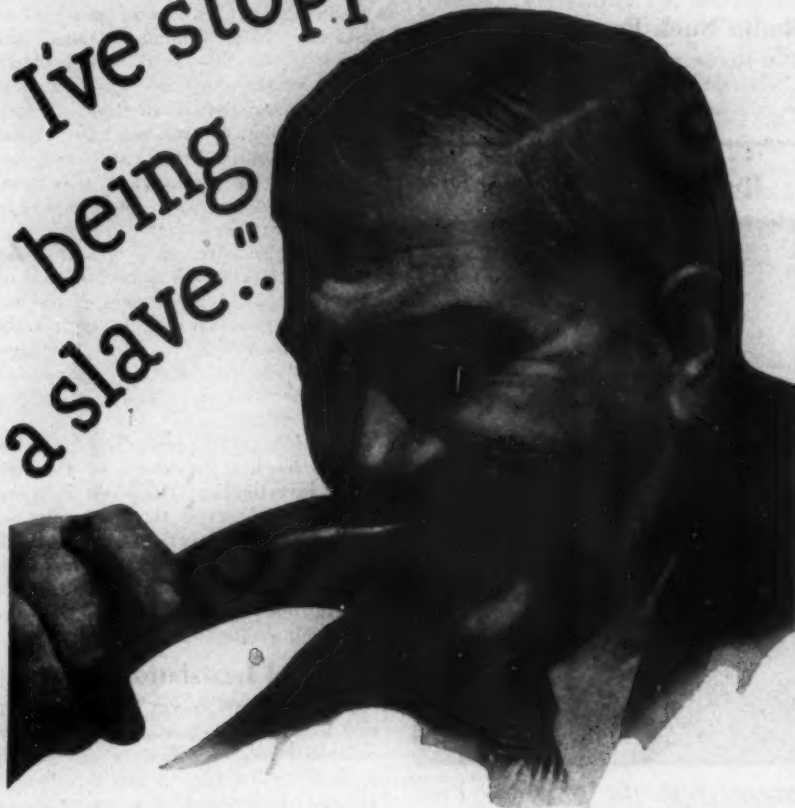
TO THE FOOD INDUSTRIES it's important to know that Jesse W. Tapp quit his job in the Department of Agriculture because he couldn't get support in the department for his attitude of trade cooperation. His resignation is particularly significant, coming just at the time when the trade is clamoring to know when Wallace's "cracker barrel" plan of surplus food distribution (page 34) is coming to a head and what its specifications are.

Tapp felt that he wasn't getting anywhere. His "boss" in the department was A. G. Black, a theorist who suspects trade contacts, puts his reliance in government regulation. There's a broad hint that Tapp feels he will be able to do more for farm surpluses from the outside.

Armament Argument

BENJAMIN BARUCH'S "GUARANTEE" of \$3,300,000 for the army to buy badly

"Dear Charlie:-
I've stopped
being
a slave."



Three weeks ago you said I was chained down like a galley slave. Maybe you were right. But hang it, I just couldn't get out of the rut! Almost every day I was snowed under with a million and one details. Busy as a bluebottle fly. The moment I'd get my secretary all set for dictation, the boss would send for me. Things I was supposed to remember kept getting lost in the shuffle. My secretary even made a nasty crack about spending half the day in my office waiting to take dictation.

"Presto! Chango! Now that we have the Ediphone, everything's different. You wouldn't recognize my desk. But don't get the idea Edi-

phone Voice Writing is just good for taking letters. It helps with almost every detail that comes up—and it's as easy to use as the telephone. Things don't pile up because I put them on the Ediphone as fast as they arise. I haven't made any bad memory slips—or lost any good ideas. My Ediphone remembers for me. No more working after 5 for me or my secretary. Man, you'd better look into the Ediphone yourself."

An Ediphone permits you to handle instructions, memos, inquiries, letters, reminder-dates instantly... increases your personal business capacity 20% to 50%. Investigate! Telephone the Ediphone, your city, or write Dept. B1, Thomas A. Edison, Inc., West Orange, N. J.

SAY IT TO THE

Ediphone
EDISON VOICEWRITER

needed powder-making machinery, revealed without his name in last week's Washington Bulletin, was "confirmed" by the daily press Tuesday this week.

Here's another one: During field artillery target practice in Virginia recently a shell, loaded with a deteriorated explosive, burst just as it left the muzzle. All of the gun crew were knocked down but nobody was injured. The episode was hushed up, despite the fact that every army officer knew it would have made perfect propaganda on Capitol Hill to get appropriations for a proper ammunition supply.

Power Defense

GET YOUR NEW BOMBING MAP. It's a significant feature of the National Power Policy Committee's report that Assistant Sec. of War Johnson expects to deliver to Roosevelt within the next 60 days. The map will show recommended interconnections so that in case power plants are disabled in one area, the plants in adjoining areas can supply the stricken cities. Many critical situations have been uncovered.

Decentralization of war industries also is an objective. Present deficiency in installed capacity, as well as power requirements in war are being calculated. New interconnections will strengthen present networks and will be included with new generating capacity in the present rate base so that utilities will get some return on their spending for national defense. Fourteen big companies that last fall made commitments for 1,000,000 kw. of additional capacity are reported to be well along on their expansion program.

War Materials Fight

ELIMINATION from the national defense program of a stockpile of strategic war materials will be followed by a hot three-sided fight. On one side are the War and Navy Departments, Geological Survey, and other agencies that want a war materials inventory built up at the lowest price, as proposed in the Thomas bill (BW—Jan 21 '39, p14). On another is the group vocally headed by Rep. Scruggs of Nevada, which wants the stockpile but wants it purchased largely from domestic producers.

The Budget Bureau, which, apparently at the President's order, cut out the estimate, is not talking. Allegation of the first group is that certain materials, particularly manganese, cannot be obtained in the quality necessary from domestic sources.

Byrd Ghost?

SHEPARD MORGAN, New York banker and economist—and a Republican—is suspected by Gov. Eccles' friends of ghost writing Sen. Byrd's stuff in reply to the Federal Reserve Board head's seductive arguments for deficit spending. One of the most serious charges that Eccles' op-

ponents hold against him does not relate to his unorthodox ideas but to plunging the Federal Reserve, a supposedly non-political institution, into politics.

WPA's Direct Buying

CONTRACTORS who are stirred up by news that, for a western dam job, WPA has bought a big batch of equipment way below market prices will have to fight it out with the manufacturers. As required by law, WPA bought from the lowest bidder but actually it buys very little construction equipment—only \$5,772,000 in 1938.

Local sponsors of a project ordinarily are required to furnish the tools. In this case equipment rented from a local contractor was used in building the original dam—Marshall Creek near Kansas City. The dam failed and now is being rebuilt by WPA under supervision of Army engineers.

No Scrap Embargo

REVIVAL OF POPULAR AGITATION for embargoing steel scrap exports need not be regarded seriously. Nobody's for it in the Administration, except the Army and Navy—mildly. Congress committeemen who pigeonholed various embargo and licensing ideas last session don't expect even the "national defense" angle will apply enough pressure to force them out.

Kennedy "in Bad"

JOE KENNEDY will not become Secretary of the Treasury when and if Morgenthau resigns. Joe is in bad at the White House. He learned little by hearing the story that Ray Moley was driven out of the Administration because of indiscreet remarks in London. He does not realize in what a whispering gallery he lives. Point is some of Joe's "friends" rushed to Roosevelt with alleged remarks by the ambassador reflecting on the Great White Father himself. We don't have a court in Washington but we have court intrigue and Joe is filling his last New Deal position at the moment.

Morgenthau Recall?

MORGENTHAU LOVES HIS JOB and does not want to leave but the President may have to name a new Treasury Secretary before long. Answer this time is Henry, Sr., the former ambassador to Turkey, thinks his son has served his country long enough, that it is time he should undertake a little training to fit him for handling the family fortune. This is highly amusing to some of the old man's close friends. When his son was named to the cabinet, the old gentleman was aghast. Now he is proud of young Henry.

TNEC Won't Stop

YOU CAN DISCOUNT Washington gossip that the President would like the Temporary National Economic Committee to wind up its ball of yarn this spring and give Congress its head in legislating against monopoly.

"DESK FILLED high, day after day. Petty jobs that kept my nose to the grindstone while important things cried for attention. Who? ... what? ... when? ... where? ... how much? I was bogged down in details that should have been mere routine.

"OUR PRINTER gets credit for setting us straight. He did me a great favor when he showed me the Working Kit of Hammermill Bond. It gave me for the first time the whole story of how to put paper to work. Showed me how efficient printed forms could take details off my shoulders, keep jobs moving, pin down responsibility ... how the use of colored paper could speed up work and eliminate errors ... how up-to-date stationery could build good will and bring in sales.

"NOW AT LAST I manage to keep my desk clear. The office runs much more smoothly. That kit put us on the track, and good printing and paper* did the rest."

What the Working Kit can do for you . . .

1. MATCHED STATIONERY. How to design a new letterhead, revamp an old one.
2. SAMPLE LETTERHEADS. How printed headings can individualize a business.
3. HOW TO GET more sales from your letters. Letterhead check list.
4. PRINTED FORMS. How to design them. 25 checks on form efficiency.
5. SIGNAL SYSTEM. How colors speed work, aids accuracy. Where to use it.
6. ENVELOPES. How to select them. Envelope styles and sizes.
7. SAMPLE SWATCH of Hammermill Bond. A color and finish for every business use.

Have all this information at your fingertips before you order paper and printing. The Working Kit of Hammermill Bond is FREE. Mail coupon for your copy.

*ONLY 1¢ more—that's all it costs for each 25 letterheads and forms on quality Hammermill Bond

HAMMERMILL BOND

Send for it!

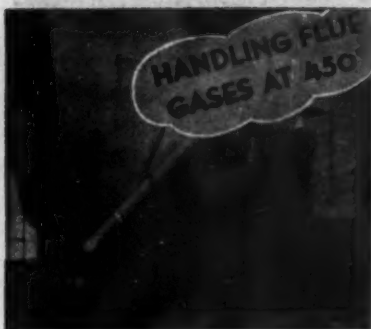
Hammermill Paper Company, Erie, Pa. BW-1-38

Please send me, free, 1939 Working Kit of Hammermill Bond.

Name

Position

(Please attach to your business letterhead)



Induced draft in boilerhouse unit . . . a tough job. Fan handles exhaust gases at 450°C., operating continuously day and night. Water-cooled bearings protect lubrication against terrific heat.



This office building, one of the very first to be **COMPLETELY** air conditioned, is Clarage equipped throughout. Both temperature and humidity control are provided. The world's largest hotel is also a Clarage installation.



Shown above is one of thirteen Clarage Unit Coolers installed in new Detroit brewery. These efficient units are adaptable for practically any product cooling application.



This Clarage Multithru (suspended unit) is ideal for use in retail stores, small restaurants, etc. You can cool, or heat, or obtain complete air conditioning with one of these compact, low cost units.



No Matter How Hard to "Crack" **CLARAGE Will Find a Way..**

UNIQUE ORGANIZATION! . . . Here at Clarage Fan we manufacture nothing but air handling and conditioning equipment. It's the whole "show" with us . . . not a side line.

We build fans, blowers, air washers, unit heaters, coolers, and complete conditioning units for every conceivable application.

FOR OVER 25 YEARS Clarage has maintained leadership in this one field by constant product improvement . . . by endless research to find better methods and equipment for meeting your requirements more efficiently, more economically.

Our wealth of experience in air handling and conditioning is available to you . . . and you can profit by using it. If you have any "air problem"—*no matter how special or unusual or exacting the requirements*—Clarage engineers can offer a satisfactory solution.

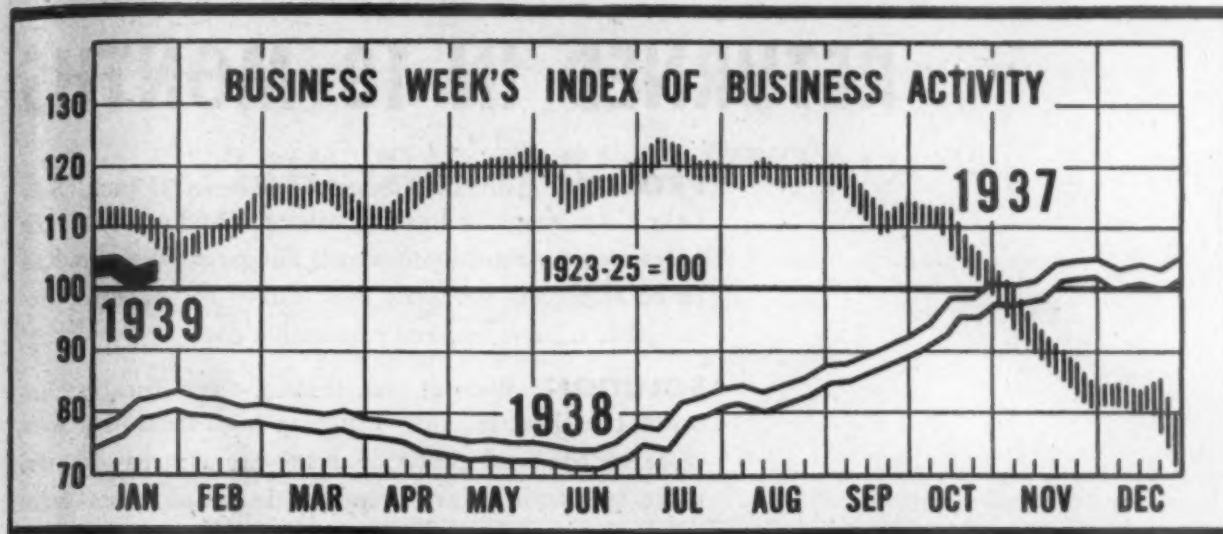
In every major industrial center, there is a Clarage sales-engineering office, manned by experts. Use your local telephone, or write us.

COMPLETE
AIR CONDITIONING
•
COOLING
•
VENTILATION
•
FACTORY HEATING
•
MECHANICAL DRAFT
•
FANS and BLOWERS
for
INDUSTRIAL NEEDS

CLARAGE FAN COMPANY—KALAMAZOO, MICH.



THE FIGURES OF THE WEEK



THE INDEX.....

PRODUCTION

★ Steel Ingot Operations (% of capacity).....	51.2	52.7	38.8	37.0	32.7
★ Automobile Production	90,205	86,925	82,800	32,070	65,418
★ Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$3,544	\$3,522	\$3,960	\$3,366	\$1,557
★ Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$13,552	\$14,634	\$11,788	\$9,761	\$8,269
★ Electric Power Output (million kilowatt-hours).....	2,290	2,270	2,363	2,085	2,109
★ Crude Oil (daily average, 1,000 bbls.).....	3,264	3,244	3,450	3,349	3,506
★ Bituminous Coal (daily average, 1,000 tons).....	1,342	11,500	1,353	984	1,366

TRADE

★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	62	64	64	63	58
★ All Other Carloadings (daily average, 1,000 cars).....	35	38	37	37	36
★ Check Payments (outside N. Y. City, millions).....	\$4,289	\$4,210	\$3,493	\$4,097	\$4,133
★ Money in Circulation (Wednesday series, millions).....	\$6,666	\$6,716	\$6,943	\$6,433	\$6,346
★ Department Store Sales (change from same week of preceding year).....	-3%	-15%	+2%	-6%	-1%

PRICES (Average for the week)

★ Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	143.0	142.9	142.6	147.8	151.1
★ Iron and Steel Composite (Steel, ton).....	\$36.37	\$36.37	\$36.37	\$36.30	\$36.97
★ Scrap Steel Composite (Iron Age, ton).....	\$15.00	\$15.00	\$14.92	\$14.06	\$14.00
★ Copper (electrolytic, Connecticut Valley, lb.).....	11.280¢	11.280¢	11.280¢	9.917¢	10.250¢
★ Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.70	\$0.71	\$0.66	\$0.70	\$1.04
★ Sugar (raw, delivered New York, lb.).....	2.82¢	2.79¢	2.87¢	2.82¢	3.20¢
★ Cotton (middling, New York, lb.).....	9.05¢	8.92¢	8.84¢	8.84¢	8.86¢
★ Wool Tops (New York, lb.).....	\$0.853	\$0.846	\$0.853	\$0.836	\$0.844
★ Rubber (ribbed smoked sheets, New York, lb.).....	15.57¢	15.94¢	16.46¢	15.91¢	14.91¢

FINANCE

★ Yield—Corporate Bonds (Standard Statistics, 48 issues).....	5.78%	5.73%	5.66%	5.79%	6.03%
★ Yield—U. S. Bonds (average of all issues due or callable after 12 years).....	2.45%	2.47%	2.49%	2.52%	2.63%
★ Yield—U. S. Treasury 3-to-5 year Notes.....	0.63%	0.67%	0.69%	0.72%	1.09%
★ Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
★ Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	¾%	¾%	1.00%
★ Business Failures (Dun & Bradstreet, number).....	292	300	229	215	250

BANKING (Millions of dollars)

★ Demand Deposits Adjusted, reporting member banks.....	16,124	16,080	16,025	15,127	14,467
★ Total Loans and Investments, reporting member banks.....	21,440	21,477	21,742	20,618	21,285
★ Commercial and Agricultural Loans, reporting member banks.....	3,780	3,514	3,967	3,575	4,436
★ Securities Loans, reporting member banks.....	1,372	1,410	1,420	1,201	1,433
★ U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,915	9,921	10,051	9,315	9,273
★ Other Securities Held, reporting member banks.....	3,238	3,189	3,218	3,092	2,923
★ Excess Reserves, all member banks (Wednesday series).....	3,560	3,440	3,979	3,039	1,371
★ Total Federal Reserve Credit Outstanding (Wednesday series).....	2,588	2,892	2,656	2,565	2,610

STOCK MARKET (Average for the week)

★ 50 Industrials, Price Index (Standard Statistics).....	120.2	123.4	126.8	124.3	111.0
★ 20 Railroads, Price Index (Standard Statistics).....	30.4	31.7	31.4	31.3	31.0
★ 20 Utilities, Price Index (Standard Statistics).....	67.5	66.6	62.5	62.7	58.6
★ 90 Stocks, Price Index (Standard Statistics).....	97.8	96.9	101.5	100.0	99.9
★ Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	1,228	672	1,368	1,662	686

★ Factor in Business Week Index. * Preliminary, week ended January 21. † Revised. ‡ Date for "Latest Week" on each series on request.

\$6,000 COST OF NEW EQUIPMENT RETURNED IN 18 MONTHS

PROBLEM—The Intermountain Theatres Inc., Salt Lake City, sought a less expensive method of obtaining adequate power for its theatres. Three requirements had to be met—and *completely* met: safety for patrons, dependable equipment, and reasonable cost.

SOLUTION—Pyranol transformers were installed beneath the theatres, thus bringing high-tension power close to the load center. Safety was assured because these transformers are fireproof. Installed costs were reasonable because the transformers have the approval of the Board of Fire Underwriters for indoor installation without a vault to house them.

RESULTS—The management of the company says: "The installation cost us about \$6,000, and, according to our records, we will be able to save this cost in approximately 18 months of operation."

SUGGESTION—Savings like this are logical results of persistent, diversified attacks on costs. If you have not *recently* checked all practical methods of reducing costs, perhaps now is a good time to do so. It is much easier—and less expensive—to put your plant into shape for increased output at low cost in periods of less active production than it will be when you are running at capacity.

Application engineers in the G-E office nearest you will be glad to work with you or with your consulting engineers to help you find ways of reducing costs and increasing profits through the use of the newest electric equipment most suitable for your particular production problems. General Electric, Schenectady, N. Y.

Any reputable equipment will operate—but you obtain the greatest profits possible *only* when the correct equipment is skillfully applied to *your* job.

THIS IS NO. 84 IN A SERIES RELATING SOME OF THE OUTSTANDING RESULTS OBTAINED BY
THE PROPER APPLICATION OF THE LATEST DEVELOPMENTS IN ELECTRIC EQUIPMENT

GENERAL  ELECTRIC

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BUSINESS WEEK

January 28, 1939

THE BUSINESS OUTLOOK

Once again European developments shake American business confidence. But the selling may have been carried too far. Commodity prices are holding up better than stocks.

A SHARP DROP in the stock market, of about the same magnitude as the war crisis break of last September, has shaken the general confidence. Again the originating impulse seems to have come from Europe. A growth of extremism in Germany evidenced by the dismissal of Dr. Schacht, realization that Mussolini was still "unappeased," and the sweep of the Spanish insurgents upon Barcelona gave plenty of evidence that 1939 would be another year of crisis. Healthy and enduring recovery is impossible in such an atmosphere, and the dumping of stocks naturally follows. For the time being selling may have been carried too far, but the lack of a solid basis for hope in the international sphere remains.

Commodities Remain Firm

Stocks could not have fallen so badly, however, in the absence of a really major crisis abroad, had not American investors been unwilling to buy on the decline. Hopes for domestic business, which ran high until after New Year's Day, are gradually being deflated, and with this deflation the vital impulse vanishes from the security markets. Commodity prices are holding up better than stocks, as they did in September.

Textiles, Autos, Steel

Momentarily, the decline in industrial activity which commenced in the previous week has been halted. Nearly all components of the weekly index advanced, and the index as a whole regained one of the two points it had lost. But there is still a good deal of correction to be faced. This applies to such important industries as cotton textiles, automobiles, and steel, in all of which output ran ahead of demand during the last month or two of 1938. The decline in cotton textile operations since November has been drastic, but may continue several weeks longer. The automobile industry has discovered that dealers' stocks of used cars at the end

of 1938, although 20% lower than the year before, were excessive in the opin-

In the Outlook



A banker's recipe for sustained recovery—private investment to replace government deficits—was given this week by Thomas A. Wilson, president of the Marine Midland Trust Company of Binghamton, N. Y. Mr. Wilson, head of the New York State Bankers Association, was addressing the annual mid-winter meeting of the association: "The so-called pump priming policy can only be justified if private enterprise is encouraged to carry the ball after the kickoff. . . . One private dollar at work does a more constructive job economically than two borrowed governmental dollars."

ion of a large majority of the dealers themselves. The decline in automobile output between December and January has been less than usual this year, and a further decline, both in actual production and on a seasonally adjusted basis, is possible. Steel activity is running steadily a little above 50% of capacity, and orders are appreciably off from one and two months ago.

First-Quarter Prospects

On the whole, the first quarter of 1939 is likely to prove a period of correction and consolidation. The BUSINESS WEEK index, which averaged 101 in the final quarter of 1938, will probably show no gain, and may easily drop below 100 for the current quarter.

Pickup After March

In the second quarter, as the active construction season opens and government pump-priming comes into the foreground, another pickup is likely. Frequently an intermediate decline of the kind expected in the first quarter extends further than imagined by the forecasters, but, barring this possibility (which would probably be associated with war crisis, or perhaps with adverse political developments at home), a rising trend can be awaited after March. The second quarter could average 105 under these conditions, and some time in the course of the summer the weekly index could touch 110.

How High a Rise?

The question remains whether the index—excluding from the argument the possibility of a spiral downward and accepting the hypothesis of a rise to 110 in the summer—will get through to the old 1937 highs, which ran from 180 to 185. There is no telling how far a spring recovery might feed on its own momentum, but there have been too many cases where improvement has tailed off just when hopes were brightest to permit

sanguine expectations for the second half of the year.

Those who do entertain such hopes, and they still constitute probably the majority of students of the cycle, base them in large part on a supposed restoration of the profit margin through reduction of costs, especially labor costs. Such a process is always under way during depressions and justifies long-term optimism. But the gains to date are insufficient to support so much optimism for 1939.

Effect of Labor Costs

A simple, if extremely rough, way of measuring labor costs is by comparing the monthly indexes of production and payrolls. For instance, the Bureau of Labor Statistics factory payroll series may be compared with value of factory output (calculated by multiplying the Federal Reserve Board quantity index by the Labor Statistics price index for finished goods). The result gives some idea of payroll per dollar of output. During 1935 and 1936 this index ran at about 100—that is, the 1923-25 average. Presumably this constituted an even balance which permitted the rise in production of those years. During 1937, however, the decline in production and rise in wages joined to drive the index up to the neighborhood of 120, whence it has fallen since the spring of 1938 to 110—December being the latest month available. In other words, half of the needed correction has been accomplished.

Scanning the Near Future

In the next few months, however, it is doubtful that much further progress will be made. The gains due to rapid expansion of output without taking on more workers have been exhausted, and further gains must be based on the slow process of improving efficiency. The outlook for profit margins while labor costs remain 10% above the 1936 level does not make for enthusiasm.

Spring Push Under Way

Behind 1939's first war scare is evidence that dictators will work together in bold series of crisis-making thrusts to win objectives swiftly.

FOR THE FIRST TIME since the Munich crisis, a war scare this week caused a flurry of considerable proportions on world stock markets and among the foreign exchanges. It is only the first of several such scares which can be expected in Europe this year. But each crisis will probably pass without precipitating a major outbreak, though the provocation and the tensions may be as serious as they were at Munich last September.

The sharp rise in tension this week has been due to the rumor that Hitler on Jan. 30 will outline, on the sixth anniversary of his rise to power in Germany, grandiose new plans for remapping Europe to fit the schemes of the two dictators in the Rome-Berlin axis. Mussolini's son-in-law, Ciano, who is Italian Foreign Minister, is expected to be in Berlin to emphasize the fact that whatever is said has the full support of Rome.

But, whatever Hitler says on Monday he is unlikely to change the growing conviction that a new crisis is rapidly coming to a head.

Issues That Threaten Trouble

What does Europe expect that is so alarming?

Immediate worries focus on three main problems out of any one of which trouble could develop.

The first of these is the long-feared German threat to the Ukraine. It took shape a few months ago when Berlin made it plain to Poland and Hungary that it had no intention of allowing them to split between themselves the moun-

tainous, sparsely-settled eastern tip of Czechoslovakia with its dominantly Ukrainian population (see cover map). Talk of an independent Ukraine developed almost immediately, causing extreme nervousness in Poland where there is a Ukrainian minority of more than 6,000,000, as well as in Rumania, where there is also an important—though considerably smaller—Ukrainian population.

Guide for Expansion

Basis for the alarm is the statement by Hitler in "My Battle," the Führer's autobiography and "guide to world power." Though written 15 years ago, it has proved to be an almost perfect outline of Nazi achievements, especially in foreign affairs. About "the East," Hitler wrote:

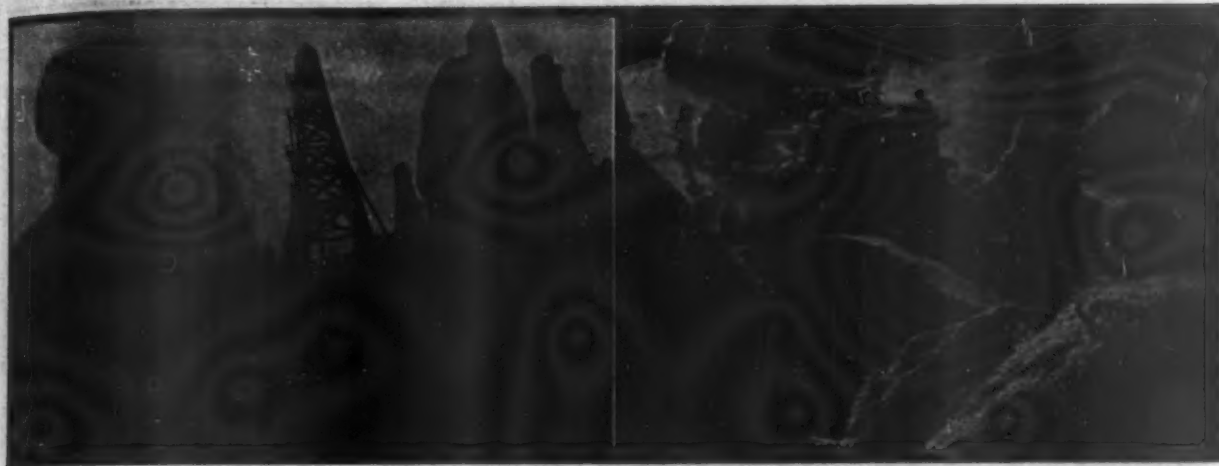
"In the future we shall curb the Germanic flow towards the south and west of Europe, and turn our eyes eastwards. . . . When we talk of new lands in Europe, we are bound to think first of Russia and her border states."

And last year, at Nürnberg, he shouted to a cheering audience: "If the Ural with their incalculable wealth of raw materials, the rich forests of Siberia, and the boundless cornfields of the Ukraine lay within Germany, under National Socialist leadership the country would swim in plenty."

In view of these Nazi pretensions, the Ukrainian issue came into the limelight as long ago as November when German-paid Ukrainian émigrés from the old Russia began to turn up in various villages in



Dneperstroy—greatest Soviet power development—in the heart of Hitler-coveted Ukraine.



The Ukraine has Hitler's two war "musts"—oil and wheat.

the remote mountain valleys of far eastern Czechoslovakia. The age-old cry for an autonomous Ukraine was raised. Then rumors came from Berlin that the Nazis were making plans for some definite move in this direction "sometime between March and May" of this year. Europe no longer—since the Austrian and Sudeten crises—ignored the reports. Germany must have oil and grain if it is successfully to wage another major war. The Soviet Ukraine has the richest black earth in Europe, and in Ukrainian Rumania (as well as in the Caucasus which is just a stone's throw from the Soviet Ukraine) are located the richest oil wells in Europe.

The war scare comes into the picture because of Poland, Rumania, and the Soviet Union. Will they yield peacefully—if faced with a demand from Berlin—or will they fight?

Just when Europe was convinced that this eastern crisis was to be next on the schedule and that it could conveniently be left to Moscow to settle, the tension shifted to the Mediterranean where the Spanish civil war appeared to be coming to an end in a victory for the Italian-backed rebel forces, and Rome launched an annoyingly persistent demand for territories—all of which now belong to France.

What the Duce Wants

This Italian claim divides itself into two parts: (1) the demand for a share in the control of the Suez Canal—through which Italy must pass to reach its East African empire, and for possession of Djibouti, the French port at the southern end of the Red Sea, which is the terminus of the French-owned railroad (which Italy also wants) to Addis Ababa; and (2) the handing over to Italy of Tunis (French north African colony), Corsica (French-owned island north of Sardinia), and the former Italian province of Savoy in southeastern France.

While Paris has insisted that the Ital-

ian claims could probably be settled by yielding only on the Suez and Djibouti issues, the problem took on major importance this week when both Rome and Berlin indicated that henceforth the Rome-Berlin axis was prepared to act as a unit in each new territorial move. There is considerable doubt whether France would fight over Djibouti or even Tunis, but Savoy is another matter. Fight or not, the issue will not be settled calmly, and business is bound to suffer while it hangs fire. And if Germany chooses to lump its colonial claims with those of Italy, it becomes a problem for the British as well as the French. Germans already are advising the Italian military regime, and the fighting forces of the two countries are being coordinated.

Meaning of Schacht Dismissal

The third problem came into the limelight with the dismissal of Dr. Schacht from the presidency of the Reichsbank. Business believes that this is a signal for a far more radical program in Germany—one that the comparatively orthodox Dr. Schacht disapproves. It may mean (1) intensification of the export subsidy program—the cost of which can be covered only by increased taxes or by boosting the output of labor without increasing labor costs proportionately; or (2) greater government control of industry in order to rationalize or increase output, even if this means virtually muffling out private enterprises which cannot meet competition from government-subsidized business if this is carried beyond its present scope. In either case, world business is going to feel the increased competition from Germany.

If the Hitler plan succeeds, it places Germany in a strong position to force through ultimately Hitler's plans for a vast Pan-German empire; if it fails, it will be primarily because the German people refuse to make the necessary sacrifices. There is not even a sign of this now.

Cotton Defense

National Council formed to attack South's No. 1 problem by promoting wider use of cotton.

TWO HUNDRED COTTON PRODUCERS, ginners, warehousemen, cottonseed crushers, and merchants from 19 cotton states of the South met in Dallas, Tex., this week, and banded themselves into the National Cotton Council of America under the leadership of Oscar Johnston, who is manager of the South's largest cotton farm and former head of the government cotton loan pool. They have \$50,000 in cash, claim an equal sum in pledges, and expect early completion of a \$250,000 campaign fund to promote the sale of cotton in every way and thus relieve the South's economic problem No. 1. On this basis, a board of directors of 25, representing all regions of the Cotton Belt has set up the first comprehensive cotton organization in the country, embracing the five principal branches of the industry.

Officers, elected on Wednesday, are Oscar Johnston, president and chairman of the board; Lamar Fleming of Houston, Harold A. Young of Little Rock, and Daniel C. Roper of South Carolina (former Secretary of Commerce), regional vice-presidents; Rhea Blake of Stoneville, Miss., secretary; William T. Wynn of Greenville, Miss., treasurer.

Council's Line of Action

The Council plans to attack the problem along lines of extensive advertising to make the nation cotton-conscious, through research devoted to expanding old uses and discovering new uses for lint and seed, and through efforts to recapture foreign markets. Referring to governmental efforts as well-intended but futile because of chaotic world conditions, Johnston asserted that the South cannot continue to reduce cotton acreage and that a minimum should be set at 20,000,000 acres

General Motors Builds Biggest Scale-Model Panorama for World's Fair



Left, Norman Bel Geddes, designer of General Motors' "Highways and Horizons" exhibit for the New York World's Fair, looks over a few of the more than 400,000 tiny buildings in G.M.'s "world of tomorrow." Only a

few of the 408 table panels, which when assembled will extend for a quarter of a mile, are shown at the right. Visitors, touring the vast panorama in moving chairs, will get a glimpse of future trends in highways.

instead of 27,000,000 as proposed for 1939, if prosperity is to return to the Cotton Belt.

"If the South's principal industry is to survive," he added, "we must take our cue from the paper, rayon, and ice industries which have shown the way to increased consumption of their products. This movement is an effort at self-preservation against increasing foreign cotton which has captured our markets abroad, and against the encroachment of synthetic fibers and other substitutes."

Principal recommendations adopted at

Dallas were to urge upon the government to release not less than 1,500,000 nor more than 2,500,000 bales of accumulated stocks of federal loan cotton to be repossessed by growers on payment of its fair market value less a small commission to the producer. It was urged that growers who sell their cotton receive a price which will bring their gross proceeds to 75% of parity (now 16¢ a pound). Such payments are to be made on each grower's normal production under allotment, and not to exceed 5¢ a pound, and to be financed out of the general fund.

competitors—on both wheat and cotton—and developments preparatory to the world wheat conference in London indicate these competitors are more willing to talk cooperation than ever before.

All these facts and conclusions may be verified in private conversations around the Department of Agriculture these days. After spending about \$15,000,000 to subsidize exports of wheat from the 1938 crop, Sec. Wallace's boys are prepared to urge on other exporting nations a cartel to control shipments.

Washington expects Canada to lend a cordial ear, for Canada has spent close to \$50,000,000 in subsidizing exports of more than 90,000,000 bu. of wheat so far this season. The agricultural experts think there is a good chance to get Australia into an agreement. And they are pleased to note that Argentina—always an emphatic holdout heretofore—seems a mite interested. The bartering Balkans and erratic Russia aren't mentioned.

The Formidable Cotton Problem

This discussion of wheat, however, is really only a prelude to what all observers recognize as the No. 1 farm problem of the moment—cotton. A bright young man remarked to a high official of the Agricultural Adjustment Administration the other day: "This cotton situation is going to crack around our ears one of these days if we aren't careful."

"Going to crack, hell!" was the reply. "What do you think it's done already?"

It had, in fact, cracked in 1937 when the United States produced its all-time record crop of nearly 10,000,000 bales

U. S. For Wheat, Cotton Cartels

Wallace publicly asks world export agreement for cotton; same thing is privately sought for wheat. Otherwise crops may be dumped abroad.

WHEN THE UNITED STATES launched its unprecedented program last August to subsidize exports of 100,000,000 bu. of wheat, the move had a significance which was little understood at the time and which has been even less thought of since. It was, in fact, a demonstration that the United States was prepared to fight to regain its export market for wheat. It contained the implied threat that this country might go further and dump other crops abroad if competitors didn't come to terms.

Foreign countries didn't take the threat seriously. They knew dumping was repug-

nant to Secretary of Agriculture Wallace, that it was abhorrent to Secretary of State Hull's trade treaty makers. Exporting nations figured it was all bluff. Even Canada, approached on the subject of cooperation with the United States in wheat exports, turned a cold shoulder.

Now that the United States has moved 80,000,000 bu. (either as wheat or in the form of flour) foreigners have gotten the idea. The United States isn't holding the umbrella over world markets to the exclusion of its own products any longer. This country would like very much to conclude cooperative arrangements with

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and the world consumed only 11,000,000 bales of American cotton. It wasn't simplified in 1938 when production was 12,000,000 bales, of which the world won't consume even 11,000,000 in the current crop year.

When the present cotton year opened last Aug. 1, the surplus of American cotton was over 13,000,000 bales; by next Aug. 1 it probably will be at an all-time peak of 14,500,000. Foreign producers last Aug. 1 had the biggest carryover in history of some 8,790,000 bales.

Lifted Out of Export Market

Under the circumstances, American cotton growers have put more and more cotton in storage and taken federal loans so that they wouldn't have to sell the enormous surplus at destructive prices. Uncle Sam now holds the bag on about 11,000,000 bales. Thus loans—more attractive than export prices—are lifting the United States right out of the export market. It looks like the poorest year in modern times for American cotton exports, only 2,250,000 bales having been shipped so far compared with 3,850,000 in the like period a year ago (and last season's exports weren't anything to crow about).

This surplus situation gave rise to Sec. Wallace's suggestion last week of an international export agreement or cartel for cotton. While talking wheat cartel, why not talk cotton cartel also? More specifically than in any other crop, the United States has been holding the umbrella over foreign cotton. This fostered the rise in foreign production of about 35% between 1930 and 1937. In view of long-time averages, it's a cinch the United States would seek a 3,000,000-

6,000,000 bale slice of the export market in any cartel agreement.

Pending such an export arrangement, the cotton states are asking further federal handouts of \$400,000,000 to \$500,000,000 a year to give the South parity

income. Some people say the surplus should be burned. Others would give it back to farmers who would voluntarily curtail crop correspondingly. But Washington sees no feasible plan but world cooperation.

What Changes in Patent System?

Temporary National Economic Committee hears opposing sides. Wants to amend laws so as to end delays and avert abuses.

WASHINGTON (Business Week Bureau)—One of the most important figures in Washington today is Pat Pending. His resemblance to any person, living or dead, is purely accidental but for several weeks a committee of Senators, Congressmen, and government officials has shown great interest in and concern for the welfare of this individual.

Now the Temporary National Economic Committee has finished the patent phase of its investigation. What has it learned about independent inventors, corporation research, and the whole patent system and its economic results?

Role of Independent Inventor

In many respects the one-gallus inventor is a loose nut in the economic system and is regarded by normal persons with every shade of feeling from impatient indulgence to awe-struck admiration. Boss Kettering, the genius of General Motors, Farnsworth, the miracle man of television, are names to conjure with. They are big shots in their own com-

panies now but are definitely not willing to concede that their great research laboratories have removed the need for nurturing the ideas of independent inventors. Most of the ideas of such men may not be worth a dime a dozen but one among the millions may give birth to a new industry—or even eliminate the ever-sprouting crop of stubble on the chin.

In the development and application of new ideas, many companies apparently have passed the stage when patent protection for their work is an absolute essential. Their laboratory work is important to the maintenance and growth of their business but much of it lies outside the realm of pure invention. A lot of it boils down, in fact, to solving problems in higher mathematics usually directed to specific ends; but the biggest luminaries in the group of salaried industrial research workers still testify to the importance of the outside inventor who doesn't have two dimes to rub together.

It's evident from the testimony pre-



Harris & Helms

Conway P. Coe, Commissioner of Patents, told TNEC that "what we need is not to decrease but to enhance the monopoly called patent. Speculative capital must be encouraged to back new enterprises."



Wide World

Ralph Flanders, president of the Jones & Lamson Machine Co. of Springfield, Vt., told the committee that his relatively small company had maintained its position because of patent protection.



Wide World

Frank B. Jewett, president of Bell Telephone Laboratories, Inc., aroused TNEC's interest with testimony that a "long-life" vacuum tube, adaptable to radio, has been used by the Bell System since 1923.

sented to the TNEC that the kind of patent system that would suit best the laboratory adjunct of a corporation wouldn't serve the interest of independent inventors. In issuing patents which give this legion of outsiders a "monopoly" on their inventions and at least an outside chance of cashing in on them while they remain their exclusive property, there is a lot of waste motion. Many patents are not worth the paper they are printed on but Nature works on the same principle, producing results that even today are generally satisfactory, and the democratic nature of the patent system is justified because a few patents survive the test of practical use and sometimes find applications not dreamed of at the outset.

Aims at Amending Law

That's one angle on TNEC's interest in the rôle that the patent laws play in the economic system. There's a lot of emotion mixed up in consideration of the inventor's relation to industry today, but a few smiles and tears will help rather than hurt. The committee intends to amend the patent laws so as to expedite the patenting process and cut away the folderol which has grown up in the Patent Office and the courts to such an extent that, besides the time and money that it costs, it can be employed both to deprive one inventor of his patent rights and to extend the protection of others beyond the statutory period of 17 years to 30 or even 40 years.

The Patent Office is largely responsible for direction of TNEC's inquiry along

this line. Possibly its hand was forced to some extent, however, by TNEC's tactics in putting on the Department of Justice to demonstrate the use of patents. Assistant Attorney General Arnold's staff first showed how patents have been employed in the automobile industry for the mutual benefit of all (*BW—Dec 3'38, p12*). Then it turned to the glass container industry as an example to show how patents have been used by a controlling group actually to regulate the whole business (*BW—Dec 17'38, p14*).

Arnold's show was cut short but the Patent Office bunch was hopping mad by the time they got their innings, and patent attorneys were talking out of the side of their mouths. There are hard feelings but TNEC now has both sides of the story and actually there is little conflict between the system of obtaining patents and their industrial or business use. The Department of Justice holds that a patent doesn't convey a right to engage in a trade practice that laughs at the anti-trust laws. TNEC doesn't know how to take hold of that complicated problem yet but will tackle it later.

30-Year Radio Tube

Why isn't it being manufactured? Because the public doesn't seem to want it.

WHEN DR. FRANK JEWETT revealed to the patent-probe hearings of the Temporary National Economic Committee that the Bell System has vacuum tubes

which last 50,000 hours, and has had them for 15 years, he started something. Questioning by R. C. Patterson, Jr., Assistant Secretary of Commerce, and Labor Commissioner Dr. Isador Lubin brought out the fact that ordinary radio tubes are rated to last only 1,000 hours but that there is no reason, technically, why they could not have much longer life.

Views on Tubes Explained

Dr. Lubin was assured that there are no patent restrictions which would keep the long-lived tube from the public, if the radio-tube manufacturers saw fit to exercise the license privilege they hold under Bell patents. That they have not yet seen fit to do so was taken to show (1) that a longer-lived tube for public consumption would serve no economic purpose or (2) that the tube companies are selfishly withholding the tube in order to protect the very sizable market in replacement tubes. The latter possibility intrigued Dr. Lubin, who wondered why, assuming patent privileges were generally available, someone else did not rush into the market with a 50,000 hour tube for public use.

Investigation in the radio industry brings out the point that none of the seven manufacturers of radio tubes has seen fit to make such tubes for a very simple reason: there is no demand for them. Present radio tubes last well over 1,000 hours (the average figure is nearer 4,000 hours for most tubes), representing three years' service at four hours a day. This coincides with the first-hand ownership period for many of the modern sets, hence few new tubes are needed until the set becomes second-hand. Last year 36,500,000 replacement tubes were sold, against 35,500,000 sold in new sets. The replacement market is made up of tubes whose type numbers show that they are intended for sets three or more years old. A 50,000-hour tube would last perhaps 30 years in radio-set service, which is absurd in view of the present rate of obsolescence of the sets themselves. In 24-hour-a-day telephone service, such a tube lasts six years, a very reasonable figure considering the maintenance and service problem the telephone system faces.

Public Seems Satisfied Now

The fact remains that radio tubes do not last as long as the average life of receivers. Technically, most types of tube (except power tubes which "run hot") could be made to last the life of the set, at an additional manufacturing cost of a few cents per tube. But since set manufacturers who buy tubes are influenced by price differentials measured in fractions of a cent per tube, the additional cost is prohibitive from the industry standpoint. The industry viewpoint will change, of course, if any sizable public demand for longer-lived tubes arises, but at present the public seems satisfied.



Harris & Ewing

Philo T. Farnsworth (center), who at 13 conceived the idea of television being possible without moving parts, testified before TNEC last week that he could never have raised money

for research without patent protection. With Farnsworth are George Everson, secretary of Farnsworth Television, Inc., and R. C. Patterson, Jr., Assistant Secretary of Commerce.

How can my office meet this HOURS PROBLEM?

Your present routine may require your office force to build toward peak loads.

By planning your work so that each set of records is completed and proved as it is written, the volume maintains a steady level and does not accumulate into a peak load at the end of the day, week or month.

Your operators may be preparing related records in separate operations.

Hours can be saved—energy can be conserved—by posting several related records (such as payroll, earnings record, earnings statement, pay check or envelope) in one operation.

Your adding machine operators may not be using the fastest method.

With the modern Burroughs Short-Cut Method of listing and adding amounts, speed is obtained by eliminating needless operations.

Your operators may be obliged to handle the same figures two or three times.

The modern way is to use a two-total machine which accumulates the grand total or net result automatically while the operator makes the individual calculations.

Burroughs range of adding machines, calculators, and adding machines permits recommending the exact equipment to assure maximum short-cuts.

"Why can't we arrange our work to avoid that expensive peak?"

"Is it necessary to type and compute in separate operations?"

"Is there a faster way to list and add figures?"

"Why can't we write related records at one time, instead of writing them separately?"

By surveying the routine on each desk you may find that your office force is handicapped by operations that might be shortened or eliminated. Your local Burroughs representative is qualified to suggest practical short-cuts that save time and money. Telephone the Burroughs office today.

SEND FOR THIS BOOKLET!

For the executive concerned with the problem of conserving clerical hours, this new booklet contains many specific suggestions for readjusting office routine. Send for your free copy today on your own letterhead.

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Any of our offices, branches, or distributors will gladly supply complete information and prices.

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Manufacturers of all grades and constructions of wire rope, preformed and standard, for every purpose.

"FLEX-SET" PREFORMED YELLOW STRAND

Skyscraper Scrap

Zenith Radio Corp. charges RCA has tied up Chicago television sites.

THAT SCRAMBLE for choice television sites atop the country's tallest buildings, which was foreseen as inevitable once television actually hove into view, is getting under way in earnest. This week Commander E. F. McDonald, Jr., president of the Zenith Radio Corp., charged the Radio Corp. of America with attempting to tie up the most desirable sites in Chicago and indicated he would complain to the Federal Communications Commission if RCA refused to relax its grip on facilities.

A recent Zenith investigation of the real estate situation disclosed that RCA had options or leases covering construction of studios and transmitters atop the Chicago Civic Opera Building, the Board of Trade Building, and the Field Building, in addition to the Merchandise Mart in which the National Broadcasting Co., an RCA subsidiary, has its Chicago headquarters. The One North LaSalle Building is also said to have been taken out of the available list, is reputedly being held either for RCA or the Columbia Broadcasting System.

With all these tallest buildings tied up, there are few if any grade-A sites left. Remaining buildings either are not high enough or do not provide adequate facilities for studios close at hand. The height of the transmitter is a big factor in television coverage, for the ultra-short television waves travel in a straight line, hence will not go beyond the horizon. The only way the horizon and hence the total area of coverage can be extended is by elevating the transmitter. Zenith contends that the situation is particularly intolerable because it has the only license for television transmission in Chicago. Neither NBC or CBS has yet secured an assignment from the FCC.

Movies and Television

PARAMOUNT PICTURES was the first motion picture company to move into the fertile television field by buying into the Allan B. DuMont Laboratories, television set manufacturers, and general development company. Now RKO-Radio Pictures steps into the picture. RKO is making up a special film from one of its current releases for television use. The television film will be a condensation, about 1,000 feet long and running 10 minutes. It will be televised by NBC when the regular television broadcast schedule starts in April. In Washington this week NBC started its first television demonstration, with a mobile station, outside New York. The broadcasts will go on from Friday, Jan. 27, to Tuesday, and be received at the National Press Club.

LABOR AND MANAGEMENT

Who Owns Business?

Monsanto finds revealing answer, writes colorful report, demonstrating wide public interest in "private enterprise."

WITH ITS OWN ANSWER to "Who owns this business?", Monsanto Chemical Co. of St. Louis aroused wide comment in management circles this week. Assuming that there was a good deal of confusion in the popular mind, and that its own setup was fairly typical of American corporations, Monsanto went out and got the facts.

Announced this week to employees, stockholders, and friends of the company in the *Monsanto Magazine*, the survey results are illuminating in their thorough description of persons and groups that play a part in the ownership. It was found that 3,890 men, 3,714 women, 1,601 estates or trusts, and 316 joint tenants had an interest in Monsanto. The 1,291,816 shares of property they own represent operations in Missouri, Illinois, Alabama, Tennessee, Ohio, West Virginia, Massachusetts, Virginia, New Jersey, England, and Wales. The company reported sales of \$33,202,000 for 1937 (latest full year) and makes more than 300 products covering the chemical field.

Interview Stockholders on Job

In detailing the survey results, Monsanto adopted a colorful and human technique. Its reporters went into the broad overall figures first, then picked out a "Middletown" for intensive work. The city chosen as typical was Cincinnati—a town in which 43 men, 60 women, 8 estates or trusts, one insurance company, two schools, and two joint owners have Monsanto stock. There, the company's investigators went from person to person, taking pictures and interviewing the stockholders right at their work. Vegetable merchants, machine operators, housewives, merchants, university trustees, and others appear in the magazine's report, with brief stories about each one.

Another angle which Monsanto found worth developing was this: Many of the shareholders are institutions. Thereby the company finds a means of developing the idea of broad representation in ownership. For instance, insurance companies which hold Monsanto stock have about 25,000,000 policy-holders, and Monsanto figures that these people should have an active interest in the organization. In the same way, 170,000 persons are represented by the holdings of investment trust groups, and many thousands are tied in with the universities, colleges, and other institutions which have purchased

IF YOU KNEW

You'd have a fire tomorrow
but didn't know where
it would strike . . .

WHAT WOULD YOU DO
about Protection today?

ARE you prepared to fight fire wherever it strikes? Do fixed extinguishing systems protect your most dangerous hazards? Have you sufficient portable extinguishers in your plant? Are they engineered to fight your kind of fire?

If flammable liquids or electrical equipment constitute important fire hazards in your plant, you need LUX protection. Lux carbon dioxide snow-and-gas is the fastest known extinguishing agent. Moreover, Lux is better against liquid or electrical fires . . . the worst hazards industry faces.



Facts About Portable and Fixed Extinguishers

Since Lux is your best protection against your most difficult fires, wouldn't you like further information about Lux? Write today for our booklets describing Lux Portables and Lux Fixed Systems. Or just attach your business card to this advertisement. Do it now.



Walter Kidde & Company

125 West Street, Bloomfield, N. J.



Edgar M. Queeny, president, and other officials of Monsanto Chemical Company, sought some way to prove the fallacy of the "60 family idea" of industrial ownership. Result:

simple, readable charts like the one above in the "Monsanto Magazine," showing the company is owned by 3,890 men, 3,714 women, 1,601 estates and trusts, 316 joint tenants.

Monsanto stock and profit by the company's earnings.

As a conclusion to the report, Monsanto put into its report a few reminders on "How the Stockholders Run Their Company." This describes briefly the difference between preferred and common share holdings, the way stockholders are kept informed about company's affairs, the duties of the board of directors and

its responsibility to the shareholders. Winding up, the company put it all together in these words: "Stockholders have furnished the capital, plant foremen and officers invest their experience and leadership. The employees invest their time, brains, and energy, and some their savings as well. All make up the cooperating owners of Monsanto—a representative American industry."

Big Firms Interchange Workers

Marshall Field & Co. takes lead in Chicago companies' experiment of trading employees to fit each other's busy seasons. Like results so far.

DEPARTMENT STORES cannot solve the problem of seasonal jobs as simply as could the traditional ice-and-coal dealer. They do not know how to make customers do their Christmas shopping in July.

Instead, a group of Chicago employers cooperating with Marshall Field & Co. is finding a way to level the worker's employment by inter-company arrangements for shifting employees to fit busy seasons. Field's started it as an outgrowth of its efforts at internal stabilization. A personnel man working on that problem was lunching with a friend who faced the same task in a Chicago printing plant. It developed that the printer's peaks come just at Field's slackest seasons, his regular slumps just when the store is hiring extras. Thus the idea was born.

Field's has long been studying ways to stabilize its employment by such means as training girls who prepare book department markdowns on Monday and Tuesday to be wrapper-inspectors in the linen department's Wednesday-Thursday rush, and then become adequate salespeople for Friday and Saturday in kitchen wares. The store has been making progress along these lines.

Aptitude Similarities Noted

The idea of swapping employees between companies was novel; it required care lest a misstep spoil its prospects. Therefore, when the idea had been circulated among the store's personnel executives and approved in principle, a few conducted tours of department heads went to print shops last summer. The visitors looked at the type of help,

saw the similarity of aptitudes in such jobs there as collating, folding, inserting, and such store jobs as wrapping, inspecting, cashiering. They were pretty well convinced, agreed to give the plan a trial.

To begin with, 13 Field employees did part-time print shop work in the summer. Later, when work slackened at the printing plants last autumn, a selected number of girls and men heard from the boss before layoff that Field's had expressed an interest in them and would consider them for Christmas-season jobs. Not all applied at the store, but a good many girls and a dozen men landed jobs for periods to carry them through until their regular jobs would reopen.

An unexpected difficulty popped up to hinder the full success of the new plan. Warm weather postponed the Christmas buying to the latest start on record, which shortened their employment. However, 68 of the printing employees held Christmas jobs at the store.

Retain Working Rhythm

Everybody concerned expresses satisfaction with the experiment. While the store disclaims that the one trial constitutes a real test, it got a group of employees who had passed employment scrutiny as careful as its own. Their production records were more than satisfactory. Besides being good human material, these girls and men had not lost the rhythm of working. The employees appreciated stepping into waiting jobs to fill their ordinary layoff, which comes at just the wrong time of year for their holiday enjoyment. They went back to work at the printing trade on Jan. 3, as good at their jobs as ever and without that letdown which often follows idleness.

Another similar swap, worked out much later in the fall and hence on a smaller scale, brought a force of sleeping car conductors to serve as floormen. These are young conductors lacking the seniority to give them regular runs in the late fall slump of travel. They know, far better than just any presentable applicant off the street, how to handle the public. Their regular jobs awaited them right after Christmas, handling the southbound vacation traffic.

Savings Under the Plan

Practically all the employees obtained from these sources proclaimed their desire to return to the store next year. If they apply, it will save Field's a sizable slice of expense for hiring, checking references, training, poor work in the first few days. Field executives emphasize that these advantages far exceed any saving the company may get through higher merit rating under state unemployment law and presumably the lower assessments for unemployment benefits that might follow thus releasing laid-off workers into other jobs. Any saving in unemployment insurance costs will be

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just so much extra return from the plan, they say.

They are now maturing an approach to next November's hiring. Print shop workers and sleeping car conductors are expected to return, accompanied by larger groups of their fellows. Next year's experience should be on a more generous scale than this year's. With several thousand Christmas jobs to fill, Field employment executives are studying charts and matching up their store peaks against slack seasons of major local industries. Many sizable employers are interested in working out similar arrangements, the total may grow above 100 by midsummer. Before working out a plan with another company, Marshall Field & Co. wants to know a lot about the personnel standards prevailing there, and intends to find out.

Industries That May Fit In

With the store's employment interviewers alert to the idea, this year's hiring disclosed that many year-after-year Christmas employees come from industries which might fit the set-up. Lake steamship workers, for example, were found in substantial numbers. Girls who work in Michigan and Wisconsin canneries from May to November are another large group. One printer is now studying the possibilities of picking some of these girls for future vacancies, to build up its top peak force starting after New Year and lasting to April.

U. S. Department of Labor and Illinois State Employment Service authorities watched this year's experiment with interest, cooperated in many ways. Chicago's personnel association now has a committee to study applying the plan in other industries with other seasonal peaks.

Only the application of this idea is brand-new. U. S. Employment Service has long made job analyses for placing people laid off by one industry in jobs they can fit elsewhere—but only after actual loss of the previous job. J. L. Hudson department store of Detroit some years ago built a force of Christmas-rush workers who made automobiles the rest of the year. This was individually arranged, not through the automobile companies, and it collapsed when moving up Automobile Show dates changed car manufacturing seasons.

Employers' Associations Help

In Dayton, General Motors divisions and National Cash Register used to recommend laid-off workers back and forth, but adoption of seniority rights for more people than any of the plants has subsequently employed killed this interchange. Employers' associations in Cincinnati and elsewhere provide free placement services for workers laid off by members—but here again the worker loses his job before he gets help in finding a new one, and emphasis is on

reducing unemployment for the sake of the employers' merit ratings.

Major significance of the Chicago plan is probably social in these days of labor oversupply. Seasonal workers who formerly landed jobs for themselves in slack times are nowadays likely to remain out of work until the next busy season. Under the plan of Marshall Field and its business friends, practically full-time work goes to regular employees.

And public officials are audibly wondering whether the same general idea might not even apply between industries in cities not too far separated. Experience shows that seasonally unemployed workers will cheerfully commute even 50 miles a day in each direction for fill-in jobs to avoid earnings loss.

"Men Over 40" Act

Former \$4,000-a-year men unite to get jobs. Industry denies discrimination.

THAT NATIONAL DEBATE OVER "The Man Past 40: Is He Discriminated Against?" is going great guns. Just out is a 64-page booklet giving the results of a National Association of Manufacturers survey—it finds the charge of discrimination false. Just out is a brace-tacks round up of the mining record done by *Coal Age*—it finds men of 83, or 78, or 69, and others well past 60, working a regular shift. Still to come are some more statistics which a joint committee in New York State has been working on since last summer (*BW—Aug 13 '38, p. 30*) and which will be released shortly. They will cover employment and accident distinctions never attempted on such a wide scale, and will support the N.A.M. belief that the older worker is worth keeping on the job.

Club Membership Limited

Meanwhile, men who are over 40 and out of work seem to be fairly well convinced that something ought to be done about it. Following the method developed last year in Boston (*BW—Aug 13 '38, p. 31*), new clubs have been formed in Chicago and New York City during the past 10 days. In New York the club has 36 members to begin with, and is called the Forty Plus Club; in Chicago the 15 charter members have named their group the Men Over Forty Club.

Otherwise, the clubs are just alike. They enroll jobless men of more than 40 years, who have been accustomed to earning at least \$4,000 a year. These men have one purpose: to help each other find jobs. Complete records are kept on both men and prospective jobs, so that time can be saved which otherwise might be spent in fitting square pegs into round holes. Membership is limited (to 100 in Chicago; to 50 in New York). If the idea works, of course, other clubs of similar nature are expected to be formed.



The Railroad that Girdles the Globe

• The super-service that's made Erie "First in Freight" is not confined to the limits of the Erie tracks, Mr. Shipper. Nor is it confined to the United States.

Erie service girdles the globe! Whether you're exporting or importing, there's an Erie agent in important foreign cities to assure safe handling and fast delivery of your goods at lowest possible cost.

To facilitate transfer of your outgoing or incoming freight Erie maintains a huge fleet of barges, tugs, and lighters in New York Harbor. From train to boat or vice versa, your freight is moved swiftly and efficiently by modern handling equipment under the direction of skilled operators.

Let us simplify for you the complications that often accompany transatlantic shipping. Let Erie handle every detail—from ship to shipping room. You'll save time, money, and confusion—on imports as well as exports.

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AIR-CONDITIONED TRAINS
EXCELLENT MEALS • FASTEST
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Luxurious, Air-conditioned
Pullmans and Lounge Cars.
Magnificent scenery! 17
hours, 10 minutes between
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Lv. Chicago 2:55 p.m. CST.
Ar. New York 9:05 a.m. EST.

NEW YORK
CENTRAL
SYSTEM

The Water Level Route. You can SLEEP

Auto Union Crash

Rival factions now in head-on collision. Martin claims Ford is with him.

RIOTOUS FEELINGS and harsh words continued in United Automobile Workers ranks this week, while the international officers of the union continued to kick each other around. Facing a crisis which seemed sure to split it into two parts, the U.A.W. seethed with rumor and dissension. Business management in the Detroit area had begun to decline to continue negotiations looking to new labor contracts, until the battle between U.A.W. President Homer Martin and his executive board should be definitely settled. And the public was getting fed up—not only in Detroit but everywhere.

The decision on leadership of the majority will come from some 350 locals. But that won't mean the end of factional differences, because even though Martin is found to be leader of a minority (which most observers believe), he is expected to take a sizable group of workers with him if he is forced out of U.A.W. If he has a majority of the hitherto non-union Ford workers and the Ford management ready to go along (as he has been quoted as saying privately) he could set up a big "independent" union almost overnight. Leading up to a court hearing in



Wide World

R. J. Thomas, suspended vice-president of the U.A.W., this week was named acting president by the anti-Martin faction. As a result, there are two claimants to the presidency, two general executive boards, and two union headquarters.

Detroit Saturday in which the Martin opposition was seeking an injunction to keep him from padlocking the union offices and funds, this week's events moved too fast for the average business reader. Only a week ago the C.I.O. advisers to the union, Sidney Hillman and Philip Murray, thought they had provided for an orderly rank-and-file decision through special convention of the U.A.W. (BW—Jan 21 '39, p. 22). They left Detroit, and within 48 hours Martin had called a convention of his own and had suspended almost the entire executive board; the board majority thereupon had elected a new president and had started the injunction proceedings. Hillman and Murray advised with John L. Lewis (who had up to that point tried to keep out of the fuss) and then announced that the C.I.O. repudiated Martin and would support the board members.

Chances of compromise between the two factions seemed to have disappeared this week. The overall reaction among neutral observers was that the scrapping unionists had forfeited a lot of respect and confidence, and that it would be a long time before some companies felt that they could trust the union's management to keep things under control. New contracts are needed in many plants to replace those which have expired, but management negotiators had to wait till they could choose between a Martin contract and a C.I.O. contract. As to how management will choose, it is far too early to say.

GETTING THE PLUS VALUE

from

"Or Not" by Robert L. Bigelow, and such leading artists as Maxwell Parrish, Raffi Armstrong, Earl Moran, Bernard Bookwell, Andrew Loomis, Frederic Stanley, and John Erbit.

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MAIN OFFICE AND PLANT

SAINT PAUL, MINNESOTA

Sales offices in New York, Chicago, Boston, Philadelphia, Cincinnati, Detroit, Los Angeles, Kansas City, Buffalo, Atlanta, Indianapolis, St. Louis, Dallas, San Francisco, New Orleans, Pittsburgh, Seattle, Cleveland, Milwaukee, Denver.

Andrews' One Change

Wage-hour administrator is cautious and indefinite, except about homework.

HAVING HAD A WEEK to study Administrator Elmer Andrews' report to Congress on the first four and a half months of the wage-hour law, business observers this week were pretty well agreed that Andrews knows what he is doing. His remarks about the problems which still must be met are similar to those heard in business councils.

In brief, the administrator feels that some months of experience still must be rolled up before specific amendments to the Fair Labor Standards Act should be drawn, but he sees the same difficulties in proper enforcement and administration as business men see. The chief troubles relate to homework, to hazy definition of coverage in highly-paid ranks, and to final determination of the statute's scope. Nearly everybody agrees that amendments can handle the first two problems, but that the Supreme Court will have to take up the last-named.

The matter of homework is serious enough, in the opinion of Andrews, to warrant amendment. In fact, this is the only problem about which he is so definite in his report. He says: "It can safely be said, even at the present time . . . that further legislation will be necessary with respect to industrial homework if the . . . act is to function with complete effectiveness."

LABOR ANGLES

Home Reading Available

WILKES-BARRE, PA., last Sunday read its first local newspaper in 16 weeks as the *Sunday Independent*, one of four papers closed down by a strike, resumed publication with an almost doubled circulation after signing a contract with the American Newspaper Guild. With reports of "progress" coming from conferences of the Guild with the city's three dailies, hopes were rising for an end of the conflict, which began with expiration of all the union contracts on Sept. 30.

Two More Splits

UNION LABOR THIS WEEK was endeavoring to heal two new splits in its ranks, one in Canada, the other in New York City. After attempting for over two years to preserve harmony in Canadian labor, the executive council of the Trades and Labor Congress, governing body of all Canadian international unions, had suspended the 30,000 members of its C.I.O. affiliates. Taken with apparent reluctance on threat of suspension by the A.F.L., the action was subject to ratification by

Management: A Full-time Job

Managing investments is a responsibility that requires judgment, knowledge and experience. It should not be a side issue. The job requires time and attention to keep abreast of changing business, political and market conditions. The Investment Department of City Bank Farmers Trust Company is prepared to undertake the important work of managing the investments of its custodian customers. The officers of this Trust Company welcome the opportunity of explaining the plan under which Custodian Management accounts are handled.

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REVOLUTION



...IN RECORD KEEPING!

CARDINEER—a new rotary type record system for the modern office...with a wheel of molded Durez plastics! Molded for the Diabold Safe & Lock Co. by the Chicago Molded Products Corp.

Precedent pointed to sheet steel or a die casting for the formation of the huge wheels for the Cardineer. But the engineers who designed this radically new record system were open minded. They considered Durez, too!

The result is an unusual achievement in Durez. This versatile material was the only one that met the requirements of light weight, durability, performance and cost—with appearance that's an asset to any office!

Just as Durez has made this difficult design practical, it can probably work magic for *your* product. For the answer to "How?" just write General Plastics, Inc., 81 Walck Road, North Tonawanda, N. Y.

DUREZ

PLASTICS THAT FIT THE JOB

the full congress. Meanwhile charges and denials of Communist domination of teachers' unions flew thicker and faster (*BW—Jan 7 '39, p. 33*) as the Central Trades and Labor Council of New York City and Vicinity, representing 60,000 A.F.L. members, voted suspension of the New York College Teachers Union and the WPA Teachers Union "until they conform to the principles and policies of the American Federation of Labor."

Gorman Woos A.F.L.

WHAT AT FIRST GLANCE last month (*BW—Dec 24 '38, p. 28*) appeared to be simply a last-stand fight by Francis Gorman for textile labor leadership, this week promised to develop into a full-fledged A.F.L. challenge of the C.I.O.-affiliated Textile Workers Organizing Committee. Gorman, meeting at Washington with representatives of the A.F.L.'s recently-established National Council of Textile Workers, announced that they would ask the A.F.L. Executive Council to give back to the United Textile Workers its A.F.L. charter (withdrawn when the union was expelled for joining the C.I.O.), and would launch an organizing drive under the U.T.W. banner of both Northern and Southern mill workers in all branches of the industry. Although skeptical of the new move's prospects, business observers saw in it a further diminution in prospects of wide-scale collective bargaining in textiles.

Agree to Arbitration

A THREE-MAN ARBITRATION BOARD sat down this week to wrestle with a dozen knotty questions asked it by Busch Jewelry Co. and affiliates and by two C.I.O. unions in a stipulation reached by attorneys and Justice S. A. Cotillo of the New York Supreme Court. Ending a strike and a court conflict in progress for almost a year, company and unions have agreed to accept the arbitrators' answers as the basis for a one-year agreement at present wage rates. The questions concern such vital points as closed, preferential, or open shop, hiring and firing policy, union dues, apprenticeship rules, union voice in management.

With the Gloves Off

RIGHT FROM THE FEED-BAG of industrial relations comes the latest book on personnel methods: *Social Problems in Labor Relations*, by Paul Figors of Harvard's school of business, L. C. McKenney, and T. O. Armstrong. Taking actual case histories, they trace the problems of two companies which they call "The New Process Rubber Co." and "The National Manufacturing Co." All three authors are known for their straight-from-the-shoulder styles; their book is a delight to the jaded reader who has to translate high-flown academic talk into shop terms. Figors, McKenney, and Armstrong just skip the four-dollar words and get down to cases. (McGraw-Hill Book Co., New York, \$3.00.)

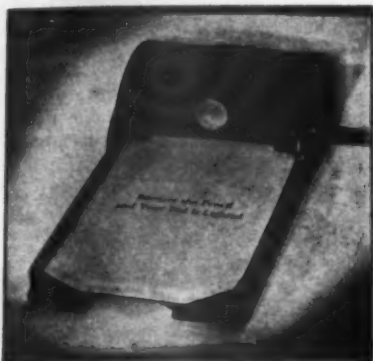
NEW PRODUCTS

Flash Wrench

WHEN JUST THE RIGHT TENSION is achieved on cylinder-head studs, spark plugs, or bolts, the Tork-Flash Wrench flashes a light. As developed by Blackhawk Mfg. Co., Milwaukee, the new socket wrench has five different tension scales; its flash comes from an inbuilt flashlight battery and bulb.

Telolite

PUT A TELOLITE on the night table or telephone table. The moment the propeller pencil is withdrawn, a little battery



light snaps on to illuminate memoranda. Papyrus Papeteries, Inc., 200 Fifth Ave., New York, will furnish the little device in almost any color of Bakelite.

Master-Copy Unit

TO FACILITATE THE PREPARATION of hectographic master copies for gelatin and spirit duplicators, and to ensure the operator against soiled clothing and fingers, General Manifold & Printing Co., Franklin, Pa., is bringing out pre-assembled master-copy units or forms consisting of a hectograph carbon, a master-copy sheet, and a protective sheet. Forms will be sold in boxes of 50 under the name of HECTOMasterGRAPH.

"Undershoes"

WHEN FLOORS ARE COLD or hot or wet, put on a pair of Tirez Undershoes, which look like Roman sandals, right over street shoes. Tirez Mat Co., 3045 Broad Creek Road, Norfolk, Va., makes them with 1/4-inch soles, using strips of automobile tire carcasses arranged in a non-skid design.

Mattress Anti-Freeze

IF NIGHTS ARE COLD and wind blows up through the mattress, tuck a LePage Mattress Pad between the springs and the mattress. F. M. LePage Co., 529 S. 7th St., Minneapolis, makes it of tough, non-rustling paper to insulate the sleeper from cold and to protect the mattress from spring injury.

Non-Skid Paint

APPLIED ACCORDING TO DIRECTIONS, Certified Armor-Plate No. 419 promises to take all the slipperiness out of steel floor plates, concrete floors, and wood or steel stair treads. United Laboratories, Inc., Cleveland, makes the new paint by mixing 8 lb. of stainless steel flakes with each gallon of a varnish vehicle. Because it is also abrasion-resistant, it may be used for protecting conveyors, chutes, fan blades, and the like.

Rubber Dressing

AN EASY METHOD of restoring original luster to automotive tires and other black rubber products is to apply Stackhouse Rubber Dressing, new product of E. H. Stackhouse, 219 N. 63rd St., Philadelphia.

"Big Ben"

AT SAN FRANCISCO'S Golden Gate Exposition, General Time Instruments Corp. will display a giant Big Ben clock,



whose 6-ft. dial is constructed of two sheets of Polaroid and a disk of acetate, the combination of which will produce constantly changing prismatic effects when revolved and illuminated. Burchell Co., 72 Spring St., New York, manufactured the display in cooperation with de Vaultier, Blow & Wilmet, Inc., industrial designers, and Henry Billings, mural painter.

Economical Color

THE FOUR-COLOR PHOTOGRAPHIC cover on the current issue of McGraw-Hill's *Factory Management and Maintenance* was printed from plates made by a cost-cutting process which has been developed in the photographic laboratories of McGraw-Hill Publishing Co., 330 W. 42nd St., New York.

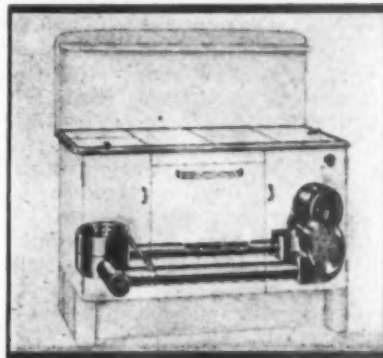
Sinus Pad

SINUS SUFFERERS WILL WELCOME Simpson's Duo-Heat Sinus Pad, an electrical

device which may be plugged into any convenience outlet to produce any heat desired from room temperature to 170 deg. F. The Simpson Co., 932 Penn Ave., S., Minneapolis, furnishes washable covers with the pad for tying it on the head, and also includes a cellulose sponge which may be dipped in water and tied on with the pad when moist heat is indicated.

Automatic Stoker Range

WITH AUTOMATIC FIRING and automatic oven control, featured in the new Quick



Meal Automatic Stoker Range of American Stove Co., St. Louis, the housewife will run no risk of overdone or underdone meals. Coal is carried from fuel compartment to burner by an electrically operated worm conveyor. Range is finished in white porcelain.

Rotary Edger

AFTER THE MAIN SURFACE of a floor has been sanded, there is almost always a lot of hand scraping to be done along edges, on stairs, in closets and on other surfaces too small for a big mechanical sander, unless a Porter-Cable Rotary



Edger is brought into the picture. Porter-Cable Machine Co., Syracuse, N. Y., has just brought out a new model whose 1 1/2-hp. motor is guaranteed to whirl the sand disk without stalling and whose vacuum attachment will suck practically every bit of dust into the bag.

PRODUCTION

"Plastic Plane" to Speed Output

Mass production of molded plywood "ships" will be comparatively simple. First plane is made by Clark Aircraft, a Fairchild subsidiary.

NEWS OF A NEW "plastic airplane" whose fuselage and wings can each be machine-molded in a couple of hours proved to be the smash climax of the patent inquiry phase of the O'Mahoney "anti-monopoly" committee (Temporary National Economic Committee). Whether or not George Backeland, vice-president of Bakelite Corp. and son of Bakelite's inventor, intended it as a grand finale to his testimony on the 300-odd patents owned by his company and to all the testimony in the patent hearings which terminated last week is beside the point. The fact stands that the possibilities of a mass-production plastic plane took an air- and war-conscious nation by the ears.

"Monocoque" Idea Developed

What was not brought out in Mr. Backeland's testimony is that the central idea of a "monocoque plane" has been pounding around in the minds of airplane designers ever since planes emerged from the bamboo and canvas stage of the art. Nor was it brought out that the initial push on the first successful molded job was given on the day when Sherman M. Fairchild of Fairchild Engine & Airplane Corp. began to count the rivets on the amphibian which he was about to deliver and got so tired of counting that he satisfied himself with a conservative estimate of 300,000, each of which had to have a hole prepared for it before it could be driven home. Later on he found

an airliner of the DC-3 type would take 250 fewer horsepower to pull it through the air if its wings and fuselage were aerodynamically smooth and rivetless.

Upshot was that the Fairchild Corp. delegated to Col. Virginus E. Clark, retired army aircraft engineer, the entire job of developing a plane whose design would circumvent the production and aerodynamic limitations of previous construction. He tried various materials and production methods. Finally he got together with George R. Meyercord, president of Haskelite Co. and new-product-minded pioneer in bonding waterproof plywood with synthetic resins of the type pioneered by Bakelite Corp. Together with him and O. H. Basquin, Haskelite technician, and various Bakelite technicians, Col. Clark hit upon a process of molding an airplane fuselage, one half at a time, out of thin sheets of hardwood veneer bonded together with a thermosetting phenolic resin in a huge press whose mold looks like a whale and is called a whale by the "boys" who work on it in the Grant Rapids Haskelite plant.

The resultant material, now named "Duramold," is about $\frac{1}{8}$ in. thick. Since its density is about $\frac{1}{8}$ of duralumin, it can be used in thicknesses six times those of orthodox aircraft "skins" made of that alloy. Since such thicknesses of Duramold do not tend to buckle under compression, it was possible to produce the fuselage of the plastic plane without in-

ternal bracing, making it a true monocoque job.

Wings of the new plane are of more orthodox construction than the fuselage is (although they do include built-in slots of new design), because the backers of the plastic project believed they should first demonstrate the soundness of their ideas on the fuselage, which is more difficult to mold than the wings. Furthermore, a single mold will build both halves of a fuselage, while, owing to the difference in top and bottom wing camber and the "rights and lefts" of wings themselves, it will take four big molds to produce one pair of monoplane wings. It is estimated by Mr. Meyercord that one mold may be made to produce as many as 20 fuselages per day. The first plastic plane, variously called the Clark F-46A or the Duramold plane, was produced by Clark Aircraft Corp., a Fairchild subsidiary, is engine by a 12-cylinder inverted Fairchild 450-hp. Ranger, has been flown several hundred hours, and has received government approval. Its cruising speed with five passengers and baggage is 200 m.p.h., which is 8% faster than a similar job with orthodox riveted fuselage and the same horsepower.

Cellulose Acetate Application

A quick check of plastic aircraft activity among competitive manufacturers of plastic materials seems to reveal that they are not contemplating a plane competitive to the Duramold. Practically all of them are finding an ever-widening market for their synthetic materials in countless applications like airplane instrument panels, control handles, etc., but none of these materials is yet used as a basic substance of a plane as a whole. Sole possible exception is Celluloid Corp. which has been doing some highly significant laboratory work on the application of its sheet cellulose acetate Lumarith as a covering for fuselages and wings, and its Lumarith tubes and shapes as strength members.



The "plastic plane," which wowed the Monopoly Investigating Committee last week and still has an air-

conscious nation by the ears proves to be the new Clark F-46A with "Duramold" fuselage.

Make Coffee Plastic

South American interests find new way to dispose of their surplus crop.

COFFEE, GOOD OLD COFFEE, long the monarch of the American breakfast table, promises to enter a new sphere of influence as a thermo-setting molded plastic. Too new as yet to be given a definitive trade name, "coffee plastic" is the first fruit of a long-range program of important South American interests which looks toward the development of new non-beverage uses for the annual 4,000,000-bag coffee surplus.

To the lay eye, the new material looks like almost any of the more or less standard synthetic plastics. In physical appearance, it is just as lustrous and just as colorful, because it can be produced in any color and practically any degree of translucency or opacity except, for the time being, water-clear transparent. In physical characteristics, it compares favorably enough so that capital has already been invested in full-scale machinery for a pilot plant which will be set up for test production in this country and then transported to South America to form the nucleus of a full-scale production plant.

From Unroasted Beans

Most remarkable feature of coffee plastic is the fact that it is wholly the product of unroasted coffee beans. Additives are substantially zero, because the bean itself furnishes bulk material, plasticizers, and dyes in a full range of colors. Since the beans are not roasted in the production process, the plastic has no odor.

Most comforting feature, from the point of view of the domestic plastics industry, is the fact that there will be no effort whatever to introduce coffee plastic to the North American market. Though all the development work has been and is in the hands of the H. S. Polin Laboratories, Chrysler Building, New York, it is the thought of the South American coffee interests that their coffee surplus problem would only be aggravated if more 132-pound bags of virgin coffee were to be shipped out of South America than can be absorbed in the normal export beverage market. Coffee plastics will be manufactured into South American products for South Americans.

Wide Range of Applications

Contemplated products include a flooring to be produced in tile-like squares about one foot or so on a side, an insulating and acoustical wallboard, a roofing material, and all the wide range of molded products to which synthetic plastics have been adapted. Since coffee plastic has good dielectric strength for

25 AIRLINES Depend on DOUGLAS

Twenty-five airlines, serving 100 major cities in 58 countries, have standardized on Douglas equipment. More than 300 Douglas transports, comprise a mammoth commercial fleet now flying a total distance equal to 13½ times around the world every day. Thus the word "Douglas" has come to signify an international travel standard of comfort, speed, and dependability. Douglas Aircraft Co. Inc., Santa Monica, California

Wings for the World

WITH ANY OF THESE AIRLINES YOU, TOO, CAN DEPEND ON DOUGLAS

NORTH AMERICA: American Airlines Inc. ... Braniff Airways ... Canadian Colonial Airways, Inc. ... Eastern Air Lines ... Pan American Airways ... T. W. A. ... United Air Lines ... Western Air Express ... Wilmington-Catalina Airline ... **SOUTH AMERICA:** Pan American Airways ... Pan American Grace Airways ... **AUSTRALIA:** Airlines of Australia ... Australian National Airways ... **EUROPE:** A. B. Aerotransport, Sweden ... Air France, France ... Avio Linee Italiane, Italy ... C. L. S., Czechoslovakia ... K. L. M., Netherlands ... L. A. P. E., Spain ... L. A. E. S., Roumania ... LOT, Poland ... Swissair, Switzerland ... **ORIENT:** China National Aviation Corporation ... K. N. I. L. M. in Netherlands Indies ... Japan Air Transport

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all electric currents except those beyond the usual radio frequencies, it is expected to find a large field in electric fixtures, radio parts, and radio cabinets. During the synthesizing of plastics from the beans, it is anticipated that valuable byproducts will be recovered—among

them a "drying oil" similar to linseed, a fertilizer which also acts as a growth agency for desirable soil bacteria, vitamin D for both human and animal consumption, a colorful series of vegetable dyes, and, of course, that old eye-brightener, caffeine.

MARKETING

Food Men Discuss Two-Price Plan

Federal official asks their help as trade associations hold Chicago conventions. Will government apply New York cheap milk plan to other foods?

GIVEN: (1) AN ABUNDANCE of food in the form of surplus crops, and (2) an unsatisfied demand for food because of the inability of the "lower third" of the population to buy it. Problem: How to make those two factors cancel out to the mutual benefit of impoverished farmer and impoverished consumer.

That's the problem which some 20,000 processors and handlers of food, crowding Chicago hotels in their annual conventions this week, were asked to help solve. The request was addressed to the National-American Wholesale Grocers Association at its meeting Tuesday by Jesse W. Tapp, as one of his last acts before leaving the presidency of the Federal Surplus Commodities Corp. (see Washington Bulletin), but its implications were not lost on the convening food men, including chain store executives who always hang around to see what devilment is brewing.

Worried by Two-Price Idea

Food men have seen that they were on something of a spot ever since the time some four months ago when they became aware of a possible shift in Department of Agriculture policy—away from single-purpose concentration on restricting production toward at least a consideration of the means of increasing consumption at home. The shift was noted when Sec. Wallace at a press conference casually observed that he would prefer dumping crop surpluses at home to dumping them abroad. However inadvertent the birth of the "two-price plan" (BW—Oct 29 '38, p. 17), food men saw the dramatic headlines, began to worry about what would happen to the price structure if it were hit by a plan of subsidized prices for the low income families. The fact is that Wallace had no concrete proposal in mind, that he had simply speculated aloud about a possible solution.

Then came news of another "solution." This would seek to move greater quanti-

ties of food by lowering the price, and it would lower the price by seeking agreement on reduced handling costs and profit margins all along the line from farmer to consumer. Presumably the method used by the Federal Surplus Commodities Corp. in moving the citrus fruit surplus to market at reduced prices, thanks to the cooperation of wholesalers and retailers, would serve as a model.

What Measures Will Be Adopted?

But this week, when Mr. Tapp talked to the wholesalers, it became apparent that the Administration didn't have any concrete plan of action, that it was, in effect, asking the industry if it had any solutions to propose. Yet food men feel that where there is so much smoke there must be some fire. Maybe Mr. Tapp didn't tell all? Maybe because of his special interest in simply moving farm surpluses—no matter how—he didn't accurately reflect the sentiment of those of Mr. Wallace's bureau chiefs who have been advising him on consumer problems. Was a compromise possible between the "two-price" plan, with its threatening subsidy for the lower third, and the plan for a voluntary drive which might trim a few cents off some prices once in a while, but would do little or nothing about really satisfying the consumption demand of the lower third?

The food handlers suspected that the Administration's ultimate answer might be an imitation of New York City's successful relief milk distribution system. This was initiated four years ago by Mayor La Guardia. It provides for the sale of milk at 8¢ a quart to anyone who testifies that he cannot afford to pay the regular price (about 12¢). Milk is sold by private dealers as a straight profit enterprise—not as a philanthropic gesture. Paying 6¢ a quart for the milk, the dealers are able to sell it at 8¢ because of the city's effort to corral the demand and to bring it to a certain spot at a

certain time where the sale is made with a maximum of efficiency, hence a minimum of cost. Eligible buyers are all lined up when the trucks roll up to the distribution depots. At a single depot some 10,000 quarts have been sold in two hours that the stations remain open—from 6:30 A. M. to 8:30 A. M. Bottle exchange is effected right on the spot. The city provides the store space and a WPA attendant to punch the cards which the buyers secure from the commissioner of public welfare to attest their eligibility. But aside from that, it's a straight private profit operation—and one on a mass scale, the like of which has never been achieved in the more orthodox forms of distribution. Last year, through some 70 stations, the system moved seven million quarts of milk.

At the end of the week's conventions, with the problem still no nearer a tangible solution, food men were inclined to wonder if the "new type of distribution" might not take form gradually—for example, by adding potatoes to milk, and citrus fruits to potatoes, etc.? Might there not eventually grow up in New York and elsewhere a network of depots through which surplus foods of all kinds could be moved direct to properly qualified consumers under municipal, state, or federal regulation, but with private business earning a private profit on the operation, and meanwhile protecting its present price structure by preserving to itself those customers who could pay its prices?

There wasn't any certain answer to these questions, but a few big food men discussed the matter privately during the conventions and concluded that the answer was probably "Yes."

Mail Order, a la '39

Sears' and Ward's new catalogues discard old traditions and barnyard flavor.

GEORGE MILBURN got his novel "Catalogue" written just in the nick of time. Had he waited a few more years, any suggestion of the barnyard flavor of the old mail order books, which contributed so much pungency to his study of rural life, wouldn't have clicked with the readers.

Over the past four or five years, the catalogues have gone through a considerable metamorphosis; in the new spring editions being mailed out this week to some 28,000,000 buyers, the break with old traditions is so apparent that Sears, Roebuck & Co. has put a band around its book calling attention to its new, streamlined character, while Montgomery Ward & Co. figures that the increased number of four-color pages and special inserts will speak for themselves. For the first time in the memory of man, neither of the four-pound books boasts a message from the President. Bleed pho-

tographs of glamorous girls in glamorous gowns get the lead positions; every page of that kind of swank costs the mail order houses something like \$35,000.

Prices and Payment Plans

Over-all price comparisons with preceding catalogues are neither practical nor meaningful, but in so far as the new quotations show any trend at all, they are off infinitesimally from those of a year ago and last fall. A notable exception is tires, some lines of which are up as much as 10%. The effect of Ward's slight advance on its first-line Riverside tire is minimized, however, by the introduction of a new line, the Standard, priced in some instances just a few cents below the first-grade.

This year, for the first time, Sears is matching Ward's offer of everything and

anything on its regular deferred payment plan. Ward's interest rates are a flat 10%. The down payment, arranged on a sliding scale, averages out to about the same percentage. Length of payment time varies from 5 to 16 months. Until this year, tires were sold on the installment plan only with a 20% down payment and a time limit of four months; now they are also under the regular plan. Sears' offer is virtually identical with Ward's, although the flat 10% interest is translated into flat charges on total purchases within varying price brackets.

This year, also for the first time, both Sears and Ward make a big splash by offering all-purpose, small-farm tractors. Sears' four-wheel job, which boasts a Briggs & Stratton motor, sells for \$346; Ward's for \$369.

KOPPERS HELPS HIGHWAY OFFICIALS

USE LOCAL SAND FOR ROAD SURFACING

ADDED LIFE can be given bituminous roads by a "seal coat" of Tarmac and small sized covering material.



IN MANY places, cover material must be brought in from a distance.



IN SOME lake shore districts, where beach sand could be had for the hauling, it had never been tried out.



HIGHWAY officials in Ottawa County, Mich. found that beach sand could be successfully used with Koppers Tarmac.



THE SAND and Tarmac provided a tightly-sealed yet sand-paper-like skid resistant surface.



THERE ARE many methods of using Tarmac, some undoubtedly applicable in your community.

LET KOPPERS solve your PROBLEM

Koppers may help you solve some problem in your work, if it touches any of these fields or products: Boiler and Power Plants, Castings, Coal and Coke, Coal Cleaning and Drying, Coke and Gas Plants, Creosote, D-H-S Bronze, Fast's Couplings, Industrial Chemicals, Municipal Incinerators, Sewage Disposal, American Hammered Piston Rings, Platemwork, Tanks, Pressure-Treated Timbers, Purification and Recovery Systems, Ships and Barges, Roofing, Waterproofing, Dampproofing, Valves—Koppers Company, Pittsburgh, Pa.

KOPPERS

THE INDUSTRY THAT SERVES ALL INDUSTRY

Thumbs Down on Superpower

Communications commissioners balk at questions involved in raising radio broadcast stations above 50 kw., approve longer licensing, oppose censorship rules.

SUPERPOWER IS OUT. The three-man committee of the Federal Communications Commission, comprising Commissioners Case, Craven and Payne, which held hearings last June on the proposed new rules and engineering standards for the broadcasting industry, brought out its preliminary report on those hearings last week. It reveals that the committee is all in favor of leaving the power limit of U. S. radio stations just exactly where it is today—at 50 kilowatts.

Back in 1936, when he was chief engineer of the FCC, Mr. Craven issued a report which claimed that the establishment of superpower radio stations was necessary if the U. S. wanted to provide adequate radio coverage for its rural areas. But early in 1938, when he had become a regular member of the FCC, Commissioner Craven wrote another report, on the economic and social aspects of broadcasting. Technically, he said, superpower was still desirable. It would greatly benefit rural areas. But he wasn't so sure that superpower didn't have enough serious drawbacks to outweigh its advantages. What, for example, would be the economic effect of superpower stations on those small stations serving small metropolitan areas? And what would be the social effects of centralization in a few hands of such a powerful medium of mass communication?

Issue May Emerge Later

And those were the questions which prompted the committee to pussyfoot on the superpower issue in its current report. It suggested that the lid stay on at 50 kw. for the present, while the commission digs into an intensive study of the economic factors involved in superpower broadcasting. "At a later date" the superpower issue may be brought up again.

Meanwhile, the fate of the one superpower radio station now in existence, WLW in Cincinnati, hangs in the balance. Last summer this same three-man FCC committee, after a hearing on the renewal of WLW's experimental license to broadcast with a power of 500 kw., recommended that the license be dropped, and WLW's power lowered to 50 kw. Though the full commission has yet to act on this recommendation, and though it will undoubtedly cut WLW's power down, WLW will probably be operating as a superpower station for another year or more at any rate, due to the legal

tangles that will inevitably have to be gotten through.

Superpower, however, was not the only subject covered in the committee's report. It recommended that the FCC drop its much-criticized policy of granting station licenses for only six-month terms, and stretch the limit out to a year at least. It advised the Commission, in future hearings on station applications, to consider the factor of radio competition with established newspapers, and to study the economic effect of newspaper ownership of broadcast stations. It opposed the adoption of any set rules to govern programs, suggesting that if the broadcasters give enough thought to their "public responsibility" in the matter of programs, and plough along with their proposed general clean-up campaign,

Heads Ayer Foundation



Dr. Donald Anderson Laird, authority and writer on consumer buying habits, will direct The Ayer Foundation for Consumer Analysis, announced this week by N. W. Ayer & Son, Inc., advertising agency. Since 1925 Dr. Laird has been head of the Rivercrest Laboratories at Colgate University, where he has conducted research in the human factors of economics. The new foundation will be devoted to the whole broad field of consumer-business relations.

they will not have any real cause for concern.

In sum the report, which has had a favorable reception from the industry, has suggested that the FCC act to promote the industry, not freeze it. Though the networks were handed a posy for their ability to bring superior programs to the people, the report steered clear of any consideration of monopoly ownership, which is being studied in the FCC network investigation—still droning along, with the Columbia Broadcasting System on the stand now, and no finish in sight.

But while the FCC and the broadcasters were wrangling out a solution to their problems, President Roosevelt this week suddenly stepped into the radio picture, asked for a complete reorganization of the FCC, revision of the "vague and evasive" radio laws (see Washington Bulletin).

"Ewe to You"

Merrimac Mills makes experiment of complete textile operation—from sheep's back to man's back.

CRITICS of distribution have long speculated on methods for cutting down the lost motion and expense in the multiple operations that separate the consumer from the merchandise he needs. A major experiment along this line is now being made by the Merrimac Mills, old and conservative textile manufacturers of Methuen, Mass. Merrimac is streamlining the manufacture and sales of its woollens all the way from the raw wool to the finished garment.

Most textile mills do their own weaving and finishing; more complete units, going farther back, spin and dye their own yarns. Merrimac has gone the whole hog. To the complete manufacture of woollens it has added a clothing factory where the cloth is tailored into suits and its own stores where the garments are retailed. The company epitomizes the entire process from sheep's back to man's back by the slogan, "Ewe to you."

Merrimac now has four retail stores; in Methuen, Boston, Salem and Manchester, N. H. Addition of others is under consideration. At Methuen a bushelman in the tailoring plant adjoining the mill can hear the machinery that takes the virgin wool and makes it into cloth. Prices are claimed to be 33½% below those asked for clothing of comparable value as a result of savings in distribution costs. Moreover each buyer receives a guarantee of the fabric in his suit.

The unique set-up was worked out by Alfred C. Gaunt, president of Merrimac Mills, who also is president of the militant New England Association of Independent Small Business.

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Glen Alden Bows Out

Biggest anthracite producer withdraws from price-filing. Free-for-all scrap feared.

FREE-FOR-ALL SCRAP is feared in the anthracite industry following the withdrawal last week of Glen Alden Coal Co. from the open price filing agreement. Chances of effective continuation of the pact becomes doubtful, since Glen Alden is the biggest unit in the trade. Should the agreement collapse it would mark another failure of the beleaguered hard coal industry to stabilize itself.

The price filing plan was started a year ago by producers representing 82% of total production. It provided that signers should file prices, terms, amounts of all sales. Beginning under an industry committee, administration of the agreement later was turned over to Stevenson, Jordan & Harrison, New York management and engineering firm.

Reasons for Resignation

In announcing its withdrawal, Glen Alden laid its reasons on the line. It has been "particularly patient" in trying to make the agreement work but charged that an impossible situation had been created by "distressed sales and sales at less-than-filed prices." The company felt that resort to similar tactics would defeat the "intent and purposes of the open price agreement," hence its resignation.

Interesting commentary on the rupture: it comes smack in the middle of a winter whose increasing severity has boosted fuel requirements throughout the anthracite marketing area.

MARKETING ANGLES

Fight Tax on Newspapers

IN SPITE OF THE FACT that a special three-judge federal court last year upheld the Arizona sales tax which levies 1% on the gross income of Arizona's newspapers (BW—Jan 29 '38, p. 83), the Arizona Newspapers Association unanimously decided at its annual convention this month to launch a vigorous fight against the tax in the current session of the legislature. The papers claim it's discriminatory, that newspapers are a service, and other services are not taxed.

City Chain Store Tax

THE MUNICIPAL CHAIN STORE tax got its first foothold in Georgia last month when Augusta put through a graduated tax of the Louisiana type (BW—Dec 3 '38, p. 38). But that tax is already heading for trouble. Southern Grocery Stores, Inc., a chain, has brought suit, charging that the city has no charter provision enabling



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A cautious executive takes every step of manufacturing and merchandising with infinite care. But, after goods are shipped, there's one more critical step to negotiate — the conversion of receivables into cash.

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Welcome to friendly service... fine food and drink, served in the hospitable atmosphere of
HOTEL Mayfair
DOWNTOWN AT YOUR DOORSTEP

it to separate places of business offering essentially the same service, that the tax is discriminatory. Other suits are expected to follow, and the Augusta tax may eventually have to be settled by the U. S. Supreme Court. Meanwhile, in Columbus, Ga., the voters decided in a referendum that they wanted a chain store tax, and this week the City Commissioners began action on a Louisiana-type tax, ranging from \$50 to \$1,200 a store.

At Food Convention

FOOD CONVENTION AGENDA in Chicago this week were distinguished by the absence of long-familiar topics of discussion. Price-control legislation has been a principal item of concern to brokers and wholesalers for the past several years, but now they're getting used to the Robinson-Patman law and other similar acts. This year emphasis was shifted from price regulation to price-reduction programs, in line with the new Administration policies (page

34). As for the canners, they could afford to turn at last from such narrow interests as the Food and Drug Law to the larger aspects of governmental policy and public relations. Addresses by Sen. Claude Pepper of Florida, Pres. B. F. Fairless of United States Steel, and W. J. Cameron of Ford set the tone. Discussion of descriptive labeling programs was virtually non-existent. It was explained that such programs would not be pushed until regulations promulgated under the new Food and Drug Act determine what other label changes will have to be made at the same time.

Magazine Changes

THE NEW YEAR means new publishing schedules for two of the younger magazines. *Ken*, of the house of *Esquire*, which started existence last April, as a fortnightly, goes on a once a week schedule beginning this April, still sells for a quarter a copy. *Ken* claims total sales of over 5,000,000 copies since it started. Starting March 15 *Stage* magazine will be coming out twice a month instead of monthly, dropping its price to 15¢, its size to that of *BUSINESS WEEK*, increasing its circulation guarantee to 65,000, lowering its page rate to \$650.

Hearst Folds Another

HEARST'S *Pictorial Review-Delineator*, with a circulation of 2,800,000, but unable to pick up enough new publishing money, plans to fold with its March issue. And *Space & Time* reports that Capt. T. J. C. Martyn, the man who got *Newsweek* started back in 1932, has bought up the title and subscription list to *Cinema Arts*, that hoity-toity 1937 failure, and intends to launch, probably in the fall, a 35¢, "literate" movie magazine.

Customers' Complaints

WILLIAM J. PILAT, assistant director of the Research Bureau for Retail Training at the University of Pittsburgh, last week gave the National Retail Dry Goods Association convention the results of a survey on stores' customer complaints—showing that a total of 52,000,000 customer complaints cost retailers about \$47,000,000 a year, or 1% of sales. Non-deliveries accounted for 46.8% of all complaints; claims, credits, and refunds, 17.1%; poor quality, 15.5%; damaged, 7%; wrong merchandise, 4.6%; short merchandise, 4.4%; poor service, 4.1%.

Texas Citrus Drive

THE SECOND OF THE THREE big sales drives sponsored by the Citrus Fruit Industry in conjunction with organized distributors and retailers takes place Jan. 24-Feb. 4. This time the Texas branch of the industry, Rio Grande Valley Citrus Exchange runs the drive. Florida (Florida Citrus Commission) ran the first one, Nov. 25-Dec. 4. California (California Fruit Growers Exchange) takes on the third week, Mar. 2-12.



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THE OLD WAY
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SPEED NUT DIVISION

MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

Stocks Await Hitler's Speech

Firing of Schacht precipitates a bad break in world markets. But there is no clear explanation of why United States should have been so shaken.

RECENTLY HAS THE FIRING of a cabinet minister so shocked world markets as did that of Dr. Schacht, the man who has succeeded over the years in retaining in Germany's finances some semblance of orthodoxy, however slight. On the face of things, it isn't entirely clear why the United States should have been so shaken, but the performance of stock and commodity markets last Monday spoke for itself. Stocks suffered the worst break since Sept. 17, at the height of the Czech crisis, and composite averages of industrial shares on the New York Stock Exchange sank to the lowest level since Sept. 28. Wall Street had ears for nothing but the European situation, blamed much of the selling on Europe.

Viewed calmly, why should Europeans sell American securities now? Why should they want to repatriate balances sent to the United States for safe keeping? Conditions in Germany, plus the fact that Hitler delivers his speech in commemoration of Nazidom's sixth anniversary on Monday, would appear to favor the shipment of more fugitive gold to the United States rather than withdrawal.

Probably the stories of European selling of American stocks can be likened to reports which flooded Europe. London, for example, blamed the break in its markets to continental selling. Holland asserted that its markets broke on British liquidation. Isn't it logical to presume, under the circumstances, that all concerned could have found the explanation for market action right at home?

Fear Crisis Bred by Heterodoxy

As to why the world felt as it did about the German situation, it may be concluded that international financiers expect an excursion into highly dubious economic administration. Nowhere is the fear concealed that this is likely to lead to a crisis in which *der Führer* will have to divert the German people with another of his spectacular coups—which obviously could easily mean the outbreak of world war.

Neither statesmen nor the financial wizards can time these developments. Due to the fact that the fears are nebulous, markets in this country might not have been severely affected had it not been for

the fact that traders already were having trouble enough to discover buying incentives. Thus, with Hitler's speech ahead, and with the Spanish civil war at a crucial stage, stocks were in supply.

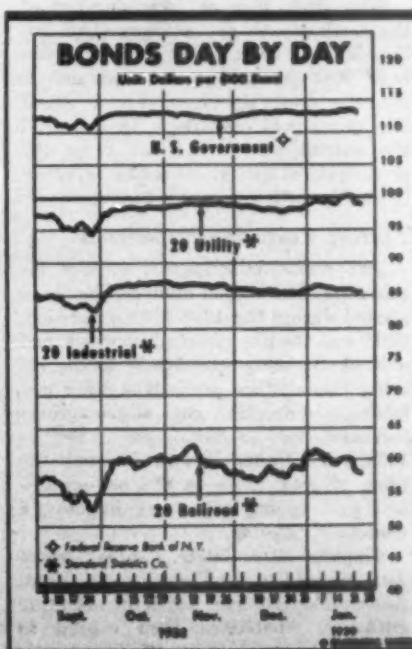
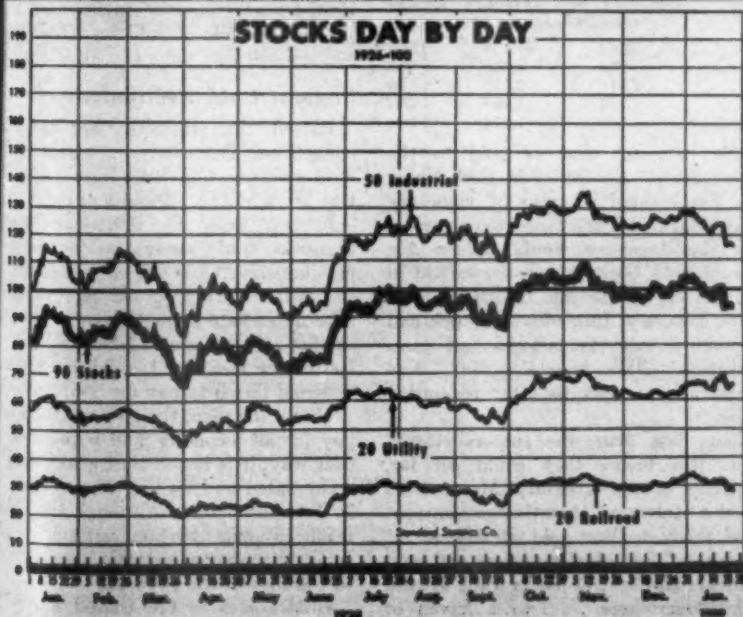
Those who persist in looking on the bright side of domestic affairs were pleased that selling met good support after Monday's crash. Tuesday's 22 minutes of tremendous selling, just after noon, shook prices down only moderately, and gains replaced most of the losses before the close. Wednesday's relative steadiness lent further encouragement.

Nevertheless, there were few traders who could see any reason for accumulating stocks over the next few days. Developments next week may sufficiently settle the foreign situation to inspire analysis of domestic markets in the light of domestic affairs. In the meantime, caution is the keynote.

Not that there isn't a fair amount of good news at hand. Announcement that the French are to buy 600 airplanes in this country accounted for renewed buying of aircraft shares. The fact that production of electric energy in each of the last three weeks has materially improved the margin of gain over the comparable 1938 period is welcome news to those who watch power output as an index to industrial activity. The bright outlook for construction and the better-than-anticipated January automobile production schedules are added factors on the bull side.

Best performance in the foreign exchange market was that of the British pound, which was steady to firm throughout. In contrast, the Dutch guilder had its troubles, apparently due to fears that Hitler may next strike out to the west rather than to the east.

In the commodity markets there were



a few points of mild strength such as sugar and wheat, attributed generally to the fact that these are "war babies." Most raw materials, however, were soft. Rubber lost $\frac{1}{4}$ ¢ a lb., and hides lost more than $\frac{1}{4}$ ¢ to touch the lowest levels in months. Metal markets were soft, partly in sympathy with weakness on the London Metal Exchange.

Lead prices were marked down 10 points to $4\frac{1}{4}$ ¢ a lb., New York. Cadmium was reduced $\frac{1}{2}$ ¢, to $55\frac{1}{2}$ ¢ a lb. It will be remembered that the duty on cadmium was cut from 15¢ to $7\frac{1}{2}$ ¢ a lb. in the new Canadian treaty. The treaty makers called cadmium a copper by-product (*BW—Nov 26 '38, p. 38*). At that time zinc producers, who took a tariff cut themselves, put up an awful howl, pointing out that cadmium is also a zinc byproduct.

U. S. Gold Seat Bigger and Hotter

World production hits new record, and Uncle Sam absorbs total foreign output and sits on it uneasily. Suppose the goldless countries boycott gold?

ONE INDUSTRY THAT GOES along in blithe defiance of the law of supply and demand, that ignores political disturbances in central Europe and wars in Spain and China, that disdains such a concrete economic fact as a depression in 1937-1938—one industry that rises above all those worldly things is gold mining. For last year gold production shot up to another record high, at a time when other economic and business statistics were having a hard time keeping in sight of 1937 levels.

Some 38 million oz. were dug out of the earth, worth one and one-third billion dollars. That represents a 54% gain over 1937 production; yet that gain is not the most significant factor about last year's gold operations. In quantity, the output was just about twice the production of the late twenties; in value, it was three times greater (see chart).

Factors Fostering Expansion

Two economic influences account for this expansion in gold mining. The boom started during the 1930-1933 depression. Gold was the one commodity which had a fixed market price—\$20.67 an oz. As other commodities declined in price and labor costs dropped, gold mining profits increased, and so did output. Then, in 1934, the United States boosted the price of gold 70%—to \$35 an ounce—and gold mining got a new impetus, a monetary impetus.

Almost immediately, ships began carrying gold to the United States. First, Americans who had fled a depreciating currency, repatriated their capital as soon as the dollar was restabilized; sec-

ond, foreign capitalists, liking the looks of investments in the United States and disliking conditions at home, sent their funds here for profit, or safekeeping, or both.

Not only did the United States receive large amounts of gold from foreign central banks, but also it absorbed the total production of gold outside the United States. In the five years, from 1934 through 1938, net imports exceeded production of foreign countries by nearly \$2,500,000,000, viz.:

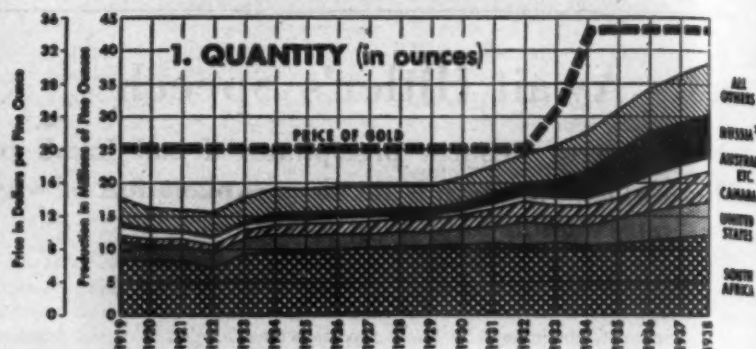
Year	Gold Mined Net Imports		
	Outside U.S.	of Gold	Excess
	(000,000 omitted)		
1934.....	\$862	\$1,134	\$272
1935.....	953	1,739	786
1936.....	1,048	1,117	69
1937.....	1,101	1,586	485
1938.....	1,166	1,974	808

This incessant flow of gold to the United States, for burial in Fort Knox, Ky., has created a series of monetary scares. Back in 1937 there were rumors that the Treasury would reduce the price of gold from \$35 an oz. to \$30 in order to check the sale of foreign gold to the Treasury. Immediately, stock and commodity markets suffered bad cases of jitters (*BW—May 15 '37, p. 59*). And federal officials had to utter reassuring words.

Again last year, the rumors started anew. But before they could get far, Secretary of the Treasury Morgenthau issued a statement that this government stood ready to buy gold at \$35 an oz. as long as "individual investors and governments and central banks want to send their money here . . . as a haven of refuge" (*BW—Sep 24 '38, p. 15*).

WORLD GOLD PRODUCTION KEEPS BOOMING

1938 Sets Another All Time High For:



Foreigners have become so fond of America as a "haven of refuge" that the United States Treasury today owns more than 55% of the world's monetary gold stocks—and the gold still keeps coming in. The trouble with this is that the more gold this country gets, the less other countries have, and the greater the danger then becomes that some day the United States may be sitting on a high and mighty pile of gold for which other nations will not want to pay \$35 an oz.

Suggest Gold Recirculation

Indeed, this possibility has had wide recognition. Even in government circles it is mentioned in hush-hush sentences. But it is not a pleasant subject. And only this week the American Mining Congress, trade association for the mining industry, took official cognizance of the problem. It proposed that Congress take immediate steps to remonetize gold so that citizens once again could get the feel of the metal and could use \$10 and \$20 gold pieces to pay for their groceries.

Under the plan, the government would pay for all incoming gold with coins. In that way, it is hoped that gold would be recirculated and no longer would pile up in Treasury vaults. Although this might result in some private hoarding of gold coins, the plan admittedly does not cut to the root of the problem.

Gold comes to the United States because foreigners want dollars, to be used

to purchase American goods, services, or securities, or merely to be left lying fallow in banks as deposits for safekeeping. So, even if we paid for gold bullion with gold coins, the result would be that the gold would go back to the banks and thence to the Treasury.

Congress may not take official action on this particular proposal at the coming session, but the question of the country's gold policy undoubtedly will come up for debate, as the President has asked Congress to extend the life of the \$1,800,000,000 Stabilization Fund and to reempower him to devalue the dollar from its present level of 59.06% of its former gold content to 50%.

Congress is likely to grant both requests, but it will probably ask for an accounting of how the Treasury has used the Stabilization Fund. Now that the British Equalization Account makes reports about its operations, it seems likely that Representatives and Senators will want to know more about how the U. S. Fund operates. Conservatives in Congress, moreover, may put up a battle about extending the President's power to cut the dollar's gold content—on the theory that the Treasury price for gold is already too high at \$35 an oz., so why prolong the authority to raise the price still further to \$41.34 oz.?

And in the meantime, gold production keeps booming.

Bartlett Frazier Out

Old, powerful grain firm ends activities by selling its elevators.

LAST WEEK'S ANNOUNCEMENT that Bartlett Frazier Co. had sold its elevators had much the same ring on Chicago ears as New Yorkers might experience on hearing that J. P. Morgan & Co. was retiring from business. Bartlett Frazier had during the memory of man been a benchmark of the grain trade, it had produced for its partners such great fortunes as that of the late James A. Patten and that which introduced Brenda Diana Duff Frazier to New York society in the most noteworthy debut party of this season.

That Bartlett Frazier Co. had disposed of its commission offices to other brokers last October escaped general attention. But the sale of the elevators which have long been landmarks on Chicago's waterfront was notice that times are changing in the handling of grain.

The ancient firm is liquidating because of these changes. The four senior owners are between 62 and 70. They see stretching into the future a period when it may be hard to earn a living by conventional grain market methods. The risks are too great to suit these men, so they are taking their money and getting out.

Standard procedure of such old-line

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houses as Bartlett Frazier Co. has always been to keep elevators filled and earning their way by buying cash grain and selling futures. This type of "hedging" usually yielded a fair return. The firm never took a market position, merely operating its twofold function of cash grain merchant and commission broker in grains and securities.

What happened to the grain commission business is much what has been happening in the stock market. One day last week the Chicago Board of Trade handled a total volume of only 12,000,000 bu., with perhaps 100 houses splitting this volume among them. In the old days Bartlett Frazier Co. frequently handled 15,000,000 bushels in a single day. Chicago headquarters' overhead consumed branch commission house profits on current volume and left red ink. Shields, Thomson McKinnon, E. A. Pierce, and others who purchased Bartlett Frazier offices believed they could absorb their management without much added expense, use them to spread their own overhead more thinly.

Much the same philosophy moved Norris Grain Co. to buy the elevators. Its head, dynamic James Norris, already had a leading position in the cash grain trade, owned a lot of elevator capacity, is one of the few remaining big grain exporters. To him the Bartlett Frazier elevators gave added capacity that could cost him little new overhead and might make him good profits.

Elevator operations became unsatisfactory when the 1935 drought crop fell far short of filling national capacity. Since then government loans have held on the farms wheat that used to come to market beginning in July, corn that used to start moving in November.

Stockholders' Men

Share-owners in Steel and Eastman have long elected auditors. Now RCA follows.

BY NO MEANS DOES the decision of Radio Corp. of America to have stockholders elect auditors establish an American precedent. Back in 1901, J. P. Morgan, the elder, borrowed a leaf from an English notebook when he put the United States Steel Corp. together. Ever since, Steel stockholders have elected the company auditors at annual meetings. Eastman Kodak Co., in recent years, has followed the same practice.

But what brought the RCA action to the newspaper headlines was the fact that it followed shortly after the McKesson & Robbins episode. It was assumed that directors decided on their course because of the drug case.

As a matter of fact, the question has been under consideration for several months, and in recent years, Arthur Young & Co., auditors of RCA books,



When Bartlett Frazier Co. decided to quit the grain trade it was James Norris, cash grain merchant and sportsman, who bought its elevators.

have addressed their annual certificate directly to stockholders, notwithstanding the fact that they were hired by company officials. Price, Waterhouse & Co., which audits the Steel and the Eastman Kodak books, not only addresses the certificates to stockholders but prefaces each certificate with the statement "As auditors, elected at the annual meeting of stockholders..."

As a practical matter, the right to elect auditors has no direct significance to shareholders. Officers and directors still will probably control the initial selection. But once auditors are elected by a vote of stockholders at an annual meeting, the relation of the auditors to company officials and directors changes.

No longer are the auditors ordinary hirelings, subject to firing by the officials of the company. The stockholders must vote on the question, and the auditor can, as a matter of self-protection, bring before the stockholders' meeting the reasons for his differences with the management. Thus election raises auditors' prestige and "arguing" powers with management; insofar as it does that, election of auditors by stockholders strengthens stockholders' control over management.

FINANCIAL ANGLES

Loew's Bonuses Upheld

BOTH PARTIES LITIGANT had something to crow about when decision was rendered in the suit brought by stockholders attacking compensation of officers of Loew's, Inc. Charges of fraud, waste, and mismanagement were tossed out by Justice Louis A. Valente in New York Supreme Court. Justice Valente also refused to void the management contracts,

contending that the company's record of earnings justified the profit-sharing arrangement. But the court upheld the complaining stockholders' charges that overpayments had been made, although holding that such overpayment did "not involve any fraudulent act... but an error of construction of the contract." Restoration of the overpayment, according to counsel for the stockholders, will net the company more than \$500,000.

Customers' Men Organize

CUSTOMERS OF BROKERAGE HOUSES and government officials frequently have complained about customers' men—the fellows in brokerage offices who handle customers' orders and give advice to their followings. Exchanges have passed rules designed to eliminate abuses. Now, however, the customers' men are getting together with the announced intention of improving the standards in their own business. The start came when a group of them took initial organization steps in New York this week.

Butter—Again

ONLY SIX MONTHS AGO, Uncle Sam had to jump into the butter market and buy hand-over-fist in order to sustain the price of this important dairy product (butter production uses upwards of 40% of the country's milk output). Even after the government had plunged close to \$30,000,000 into about 115,000,000 lb. of butter, prices were barely steadied. Now the government has the problem on its hands all over again. Butter prices, at the end of last week, were the lowest since shortly after the bottom of the 1932 panic. Federal buying last week simply scared the trade into selling the faster. A clear policy remains to be worked out.

Savings Insurance Catches on

SAVINGS BANK LIFE INSURANCE made its bow in New York State on Jan. 5. Only three banks so far are writing policies. Yet applications have been received from 1,148 individuals for \$1,050,250 of coverage. This showing draws the praise of Louis H. Pink, state superintendent of insurance, who points out that sales totaled less than \$1,000,000 in the first two years in Massachusetts, the Bay State having pioneered this form of insurance back in 1903.

Commodity Regulation

CONGRESSMEN FROM THE FARM states long have contended that clipping the wings of the speculator would be a boon to prices the farmer receives for his produce. The argument comes up again at this time with introduction of a bill in the Senate for federal regulation of margins required in speculative commodity transactions. Moreover, the farm bloc is urging the Temporary National Economic Committee to delve into the whole subject of commodity speculation.

BUSINESS ABROAD

Watch Hitler on January 30

Europe fears dictators plan drastic new demands to follow cleanup in Spain. Schacht removal prepared the way in Germany.

IT WAS THE DISMISSAL of Dr. Schacht this week as president of the Reichsbank which precipitated the war jitters in Europe, in spite of the fact that it had been expected for a long time that he would get out, or be put out, of that important German post.

Dr. Schacht, in spite of the bold schemes he developed to boost German export trade and finance one of the most gigantic armament programs this world has known, is a conservative as far as the Germany of today is concerned. He is an old-time banker, known and respected in international banking circles. In spite of the rough handling he has at times given Germany's foreign creditors during the last six years, it was the general belief outside Germany that he would insist that all of his efforts should be aimed at bringing Germany back to an orthodox economy as soon as possible, with a free exchange backed by gold, foreign trade on the basis generally accepted throughout the world instead of the cut-price barter system, and—above all—a continuation of the private ownership of business in the Reich.

Complex Problems Multiply

Dr. Schacht's problems have increased recently. The Sudetenland crisis ran up a big new bill; the construction of the Limes fortifications along the French border was an unexpected expense; the extension of the four-year industrialization program in the newly acquired territories demanded huge additional expenditures before the old German part of the program could begin to pay for itself; exports have run into the effects of keener competition in foreign markets, and have fallen off, while the demand for imported raw materials bulged enormously during the summer crisis and threatens to grow steadily with the continuation of the feverish armament program and the growth of public works—at least a part of which demand foreign raw materials.

In the face of these difficulties, Dr. Schacht is believed to have insisted that Germany cut down drastically on its arms expenditures and the massive public works program, and at the same time increase taxes in an effort again to keep expenditures and revenues in line, though they were far from being in balance. Nazi officials refused, and replaced Dr.

Schacht with the ebullient Mr. Funk, an ardent Nazi and very successful salesman, but not a banker.

Germans obviously believe the lid is off at the Reichsbank, and that the country is going ahead with its massive spending

The Lid's Off—



—at the Reichsbank as Walther Funk, ardent Nazi Party man, supplants the comparatively conservative Dr. Hjalmar Schacht as the bank's president. Funk is shown here collecting winter relief funds.

program, no matter what it costs. Few expect an inflation that will get out of control soon, but it is significant that there was a mild rush this week to invest in stocks or in such durable items of clothing as furs. Controls on prices, and on the quantity of any product sold to one person, are rigidly fixed, so that inflation fears can't readily make themselves apparent. But within these limits, Germans showed apprehension.

Foreigners look for immediate indications that the Schacht dismissal is the

sign of an important shift to the left, and to greater radicalism in Germany. However roughly foreign creditors have been handled by Dr. Schacht, they can expect even less consideration from his successor.

As far as foreign trade with the United States is concerned, it can withstand any new shock that Mr. Funk is likely to deliver. Complete trade figures are available for only nine months of last year, but they show that Germany bought 303,000,000 marks of United States goods, but was able to sell only 104,000,000 in return. Theoretically Germany can buy its corn and petroleum products from the Balkans instead of the United States, but the little states of southeastern Europe which have come completely under Germany's thumb can't supply the cotton, copper, phosphate rock, and scrap iron which account for more than 40% of the United States' sales to Germany.

The problems which threw Europe and

the world into a new state of jitters, however, are more political than economic. If the overthrow of Dr. Schacht means that Germany wants a free hand in the Reichsbank and the treasury because it is getting set for new adventuring in eastern Europe or, with Mussolini, in the Mediterranean, other countries will be affected immediately (page 14). This was the angle of the Schacht exit which threw London into a fresh panic this week, sent the Dutch guilder to new lows and a flow of funds from a frightened Europe to New York for safety. It was the angle which made France wonder if Mussolini, after all, might really mean business when he shouted belligerently from Rome that Paris would soon know whether or not he was serious in making his bold claims in the Mediterranean.

The answers to some of these questions are expected Jan. 30, when Hitler delivers



Newly completed—Hitler's Chancellery—in which is the Führer's 105 by 45 ft. study.



These models of the "new German architecture" were on display at last month's Architectural Exhibit. Left, Nazi Party buildings around the Royal Square in Munich. Right, "the wonderful House of German Traffic," part of Berlin's reconstruction.



When constructed, these buildings will be the Berlin headquarters of the High Command.



Business

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Hitler's "Second Phase" Ranks Public Works Next to Arms



Hitler and Goebbels approve plans.

"RANDIÖSE" is the only word which adequately describes Hitler's plans for rebuilding Germany. Hamburg has been named the world's tallest skyscraper. Munich is already getting a new subway system, a mass of new government buildings, a modern new railroad station. Ancient Nuremberg is to be dwarfed by the new city which is being built on its outskirts to house the annual Nazi congresses, and Dresden is to have a vast new aviation headquarters.

It is in Berlin, however, that the greatest changes are planned and the most extensive progress already made. Whole blocks of buildings have been razed to make way for new government projects. A new subway system designed to connect the railroad stations is partially finished. The block of buildings centering around the chancellery is completed and was dedicated early this month.

The next major undertaking is the rebuilding of the Reichstag headquarters. The course of the River Spree is to be altered so that it will flow through a series of artificial islands which will reflect the columns of massive new public structures. Railroad stations will be consolidated, modernized, and beautified. Great arterial highways will be built through the city. There is to be a large new university city not far from the great sports center which has been built around the stadium where the last Olympic games were held.

During the "first phase," the Nazi régime coordinated everything to rearmament. The "second phase," which started a year ago, will continue the vast armament program but will share the emphasis with new public works program which is to "make Germans look like the great nation which it is."

his anniversary speech to cheering Nazi admirers and to an anxious world.

Brazil Strikes Oil

BIGGEST COMMERCIAL NEWS of the week from Latin America is the report from Brazil that oil has been discovered in the state of Bahia. Details are lacking, but if Brazil can produce oil it will free the country from its present heavy demand for foreign fuel, and provide a new stimulus to the more rapid industrialization of the country. At the same time, it will provide Brazil with another raw material which the dictatorships covet.

Chile made another move last week to boost its industrialization program by authorizing an additional government investment in the Altos Hornos iron and steel industry near Valdivia. Much of the iron ore from the American-operated El Tofo deposits is shipped by the Bethlehem Steel Co. to the United States but the Chilean works are developing slowly and taking an increasing share.

France Is Bearish

PARIS (Wireless)—The French are bearish over the business outlook for the immediate future. The Italian-engineered Franco victory in Spain creates a problem for France because of the rush of Spanish loyalist refugees to France, and because Mussolini is expected to grasp this opportunity to press his colonial demands against the French.

Sympathy of the Left Wing in France for the Spanish loyalists is not yet causing the French government any difficulty; the threat from Italy and Germany is too keen to allow for an internal split now.

French orders for American fighting planes, placed in the United States this week, indicate the new activity in the defense program but at the same time acknowledge the inability of French airplane plants to speed production rapidly enough to meet the growing emergency.

Young Men Control Industry

MOSCOW (Cable)—Soviet Russia is entering an historic new phase of economic development. Beginning with the upheaval of the revolution two decades ago, the Bolsheviks have never been satisfied with half-way measures or compromises. This has been a source of strength as well as the root of many of their difficulties.

Now the Kremlin is striking hammer blows at industrial evils which have thus far prevented Russia from getting the most out of its first-rate economic machine. With its technical apparatus equal to that of most advanced western countries, the Soviet Union's difficulty has been the unfamiliarity of many workers with machinery and the process of teaching a spirit of efficiency and discipline to millions of green workers who have been largely drawn from the farm.

The first and second Five-Year Plans created a technical base for industry and

trained personnel. The third Plan is introducing a new phase in which Russia hopes, in a single stride, to establish the discipline and efficiency which required decades for its development in the United States, England, and Germany.

The third Plan finds the Bolsheviks carrying out their cherished plan of handing over the management of industry to the youth who have been raised under the hammer and sickle.

The past decade saw the precipitate growth of all phases of economy, with Commissariats grown topheavy. The new phase is one of decentralization, of bringing the administration closer to the actual producers. Sixteen new Commissariats have been split off from their unwieldy central organizations during the first year of the third Plan. The first month of the second year of the new plan found light industry broken up into two sections, defense into four, and food into three. Today the Commissariat of heavy industry has disappeared as an entity and has been replaced by six divisions—fuel, power plants and the electrical industry, ferrous metallurgy, nonferrous, chemical, and construction materials.

Foremen to Get More Power

The moving force behind the vast reorganization changes continues to be Lazar Kaganovitch, who heads the vital fuel and railways Commissariats. Five new Commissars, all energetic young men in their thirties, symbolize the new generation coming to the helm.

Lower in the scale, there is a new move to put greater authority into the hands of hundreds of thousands of foremen who are the most vital links between the Commissars and the workers. Their wages will be raised soon, and they will have the right to hire and fire workers, advise commissions which are now revising the old working norms upward, and generally to control production in their shops. The new authority will make them prime factors in the campaign to establish the iron discipline which is now recognized as the most important requisite for raising the productivity of Soviet labor.

Politics in Defense

Canadians fear political attacks will cut British arms orders.

OTTAWA—Will political attacks on the Bren machine gun contract given last year to John Inglis Co. of Toronto endanger the prospect of big British armament orders for Canadian industries? Ottawa officials and some industrialists are asking the question with concern.

Canada's order for 7,000 machine guns was complemented by a British war office order for 5,000. The Canadian contract is under attack on the grounds that it was given to a company formed by a group of friends of the Ottawa govern-

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ment for the special purpose of seeking such contracts, that the company had no experience in precision steel manufacture, that competitive bids were avoided against the advice of high officials, and that no opportunity was given to big experienced firms to tender.

In addition to selecting the Inglis company to receive the Canadian contract, the Ottawa government went to considerable effort to have the company secure the British complementary order.

The whole transaction has been subjected to a commission probe and the report is regarded as damaging to the course of the government in the transaction. At the same time, it has been made clear that the British war office does not like having its armament contracts made the subject of investigation and controversy. It showed its dislike of the attack on the machine gun contract by granting additional licenses to the Inglis company.

Fear Repercussion on Orders

As the contract is certain to be the object of continued attack in parliament, fears are felt over plans for further British orders for Canada. The potential volume of these is virtually unlimited. It is known that the British government contemplates spending \$200,000,000 in Canada for war planes alone. Orders for torpedo launches, heavy guns, searchlights and other armaments are under consideration in London.

London would like the Canadian government to act as its purchasing agent, but Ottawa refuses to do this because it might be construed as a commitment to co-operation if war came. The setting up of an independent purchasing board may help to overcome the difficulty.

Canada's winter sports business, which boomed at the turn of the year, is now suffering from lack of snow. With some of the foremost ski professionals of Germany and the former Austria now operating ski schools in the Laurentian mountains north of Montreal, the district this year has acquired a more prominent place on the ski map of the eastern part of the continent, and at New Year's it was estimated 35,000 skiers went north from Montreal. A good percentage were from the United States. Capacity of inns and camps was exhausted. Since New Year's snow conditions have not been good.

"Freedom of Speech" Issue

Canadian Broadcasting Corp. is winning out in its fight with Toronto's millionaire newspaper publisher, George McCullagh, over its refusal to allow him to buy network time to air political views. McCullagh charges restraint on freedom of speech by CBC, but the latter maintains it is preserving the air from monopoly by wealth and the Ottawa government backs it up. A Commons committee will thresh out the issue in a few

weeks but CBC is certain to emerge the winner.

Trans-Canada Airways' experimental operations have reached the stage where it is ready to commence over-night air mail schedule service between Montreal and Vancouver on Mar. 1.

To promote public works to absorb unemployed, Ottawa is offering to pay 50% of labor costs of municipal expenditures, provided the provincial governments put up the other 50%.

Chain Tax Spreads

Quebec investigates local taxes on chain stores, as Three Rivers raises drastic new levy.

MONTREAL—Look for Canadian chain store action soon. The Quebec provincial legislature has convened, and will soon receive the report of the special commission appointed by the Quebec provincial government to study the question of municipal taxes against the chains.

Chain store executives believe they have sufficiently impressed the commission with the tremendous volume of their purchases within the province so that it will support their case against the drastic municipal taxes.

Meanwhile, Three Rivers, home city of Premier Maurice Duplessis, has joined the ranks of the anti-chain crowd by levying a tax of \$1,000 on every store operated by a chain within the city. The tax, which is similar to the \$1,000 impost voted by Montreal last spring, is applicable to all chain tobacco shops, candy, butcher, grocery, dry goods, and wearing apparel stores. Dominion Stores, Ltd., Canada's largest chain, has already closed its three stores in Three Rivers.

Need Comptroller's Approval

The Three Rivers action also applies to companies and corporations maintaining a head office in the city if such company or corporation is a subsidiary of another company or corporation of the same kind doing the same business elsewhere. To become effective, the Three Rivers tax action must be approved by the city comptroller who is an appointee of the provincial government. To date, this approval has not been given, and it is believed possible that the comptroller may withhold his approval until the provincial legislature acts on proposed legislative changes concerning chain stores.

In Toronto, where efforts are being made to have the Ontario legislature permit municipalities to levy special taxes against chain stores—with no success to date, Dominion Stores is acquiring 30 stores operated in that city by Stop & Shop, Ltd. Completion of the deal awaits only the approval of Stop & Shop bondholders, expected Feb. 9. Dominion Stores now operates 98 units in the greater Toronto area.

EDITORIALLY SPEAKING

China

YOU'D THINK that the business man in China would have a host of problems more grim and urgent than those which fret his American cousins. Probably he has. But, none the less, he still is interested in what the American business man calls his "Number One Problem." For here comes the China Electric Co. Ltd., of Shanghai, with a request for five copies of the Report to Executives on "Public Relations for Industry," published in the Oct. 1 issue of BUSINESS WEEK. The copies are on their way, together with our prayer that they may bring some help to our far-off reader in his troubled world.

Surest

FROM the New York Herald-Tribune:

"The French Embassy at London, on instructions from home, has made a survey of the war-time production possibilities of agriculture in Great Britain. The London Evening Standard reported today. The newspaper said the document submitted to Paris began with these words:

"In this country (Britain) there are three ways of wasting money. The first is gambling, the second is on women and the third is on agriculture. The first way is the most wicked, the second the most pleasant and the third the most certain."

Any comment from the American farmer? About the third one, I mean.

No New Thing

A COUPLE OF WEEKS AGO I said something about organizing the salesmen to boost the home town, mentioned some cities that do it. Now comes from Minneapolis a gentle reminder that the two terminal cities of the Mississippi Valley are old hands. Seems that both Minneapolis and New Orleans have been at it since 1928.

In Minneapolis, the Civic & Commerce Association joins with the employers each Christmas to stage a dinner for the salesmen who live in or work out of that city. This year they had about 500 diners. This effort is planned to educate salesmen on the home town as a wholesale market, thereby giving them some notion of its business scope beyond their own specialized interests. The men are kept posted from time to time by the association, of which they have been made "field members." Since 1928, eh? Well, I'll bet that way back yonder those Venetian traders used to set the sword-makers of Damascus back on their heels with their yarns about the glories of the home town. Truly, there's no new thing under the sun.

Glamour

LAST WEEK the National Retail Dry Goods Association entertained a suburban housewife, selected to represent "Mrs. Typical Consumer," and asked her to tell the delegates right from the shoulder what she liked and didn't like about doing business with their stores.

Of course, the merchants will have to decide for themselves just what they can do about her criticisms and suggestions. That is their business. What interests me in her little act is the wallop she took at the thing called "glamour." I gather from this "typical consumer" that glamour is ineffective, old-fashioned, and stale. It may attract attention but it doesn't carry conviction; and certainly it's not something to live with. All this is to be inferred from her comments.

Now if that is true, it is important. For during the last few years glamour has been getting quite a run in many strange quarters. And if it has begun to pall on folks like this "typical consumer," for whose benefit it was first enlisted as a sales aid, some of its newer victims, presumed to be much more sophisticated, may now be able to escape its wiles.

Naturally, when this glamour bug got into selling, it got into advertising also—and publishing. So long as it was confined to traffic in consumer goods, no one was inclined to question it: "Mrs. Typical Consumer" was supposed to fall for it in a big way. But first thing you know, the manufacturer of strictly business products was urged to go in for "glamour" in his sales and advertising appeals; because, "after all, the business buyer falls for it just as hard as the housewife." And before long, a lot of money was being spent to throw "glamour" around products and services that never have been and never will be bought or used on any glamorous basis.

This, of course, is no crack at the really fine job that many producers have done in designing and displaying their products to conform to modern artistic taste. To that end money may be and has been spent with very practical effect. Rather is it intended to emphasize what "Mrs. Typical Consumer" has found out—that "glamour" is a spurious thing. It is defined as "a delusion wrought by magic spells; enchantment; an artificial interest or association by which an object is made to appear delusively magnificent or glorified."

And now that "Mrs. Typical Consumer" herself has come to see through this "delusion," it is likely that business men will become increasingly skeptical of its value as a selling instrument for use on each other.

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BUSINESS WEEK

The Journal of Business News and Interpretation

January 28, 1939

State Rights—Interstate Wrongs

THE INTERFERING and unneighborly regulations of some states, contrary to the true spirit of the Union, have, in different instances, given just cause of umbrage and complaint to others, and it is to be feared that examples of this nature, if not restrained by national control, would be multiplied and extended till they became not less serious sources of animosity and discord than injurious impediments to the intercourse between different parts of the confederacy."

These words were spoken last week by Gov. Stark of Missouri at the Fourth General Assembly of the Council of State Governments in Washington. They were written in 1789 by Alexander Hamilton as an argument for the adoption of the Constitution to end evils that were wrecking the Union under the Articles of Confederation. And they are, perhaps, more applicable now than they were 150 years ago.

If anyone doubts the right of "State Trade Barriers: Their Effect Upon Interstate Commerce" to the most important spot on a conference program of state government officials, he has only to look at the list of recent state laws aimed against "foreign" business which filled a page in the Jan. 14 issue of *BUSINESS WEEK*. Gov. Stark himself noted such things as 30 states discriminating against outsiders in the purchase of supplies, notably building materials; 15 states imposing "use taxes" on goods from other states, theoretically to compensate for sales taxes on "home-made" products but nevertheless damming interstate commerce; port-of-entry laws and trucking legislation used to handicap the "foreign" trucker; state liquor tariffs that keep out the products of brewers and distillers in other states. The indictment is as new as this month's Supreme Court decision upholding a discriminatory liquor tax in Gov. Stark's own state, as old as the tariff war between dairy and oleomargarine states. It's about time that the whole case was brought to trial in the court of public opinion.

THERE ARE TWO modern reasons for the growth of these state trade barriers which Hamilton sought to check 150 years ago. One is found in the hunger of hard-pressed states for new sources of revenue, and politicians have found the outsider an easy mark as compared with the tax-battling local business man. Another is the increased willingness of local business men, in a time of thin profits, to accept a state application of the old national tariff argument for "protection." More recently, a third reason has been found in

the demand of inter-state shippers injured by such laws that their home states pass retaliatory measures to bring the movement to a stop. Missouri's own prohibition of the importation of California liquor, just upheld by the Supreme Court (*BW—Jan 14 '39, p23*), is an example of such retaliation. But today, as 44 state legislatures swing into session with demands for protection and retaliation ringing in the ears of their members, there are no signs that the movement is coming to a stop. In fact the Council of State Governments met under the suspicion that it was getting altogether out of hand.

WHILE THE STATE OFFICIALS are determining how largely political short-sightedness has been to blame in this situation, business men might consider how much business short-sightedness has contributed to it. The consideration can start from Alexander Hamilton's warning or from Gov. Stark's own statement that, "experience has shown that, while a few minority groups reap the benefits of trade barriers, the great consuming group pays the bills once these barriers have been erected."

The Missouri governor has talked of interstate compacts to bargain a way out of discriminatory laws. Another commentator has said that we need another Hull to work out an internal reciprocal trade system. But what we need first, both in business and in politics, is a clearer realization of the importance of a free market to successful operation of an industrial economy. It is that, more than the immediate danger of political discord or of a consumer rebellion, which should prompt second thoughts about this tempting matter of "protection" for state industries. Discriminatory restriction of any business operating in the market on a sound economic basis is, in the long run, harmful to all business. A philosophy of restriction fought in Washington cannot be defended in state capitals.

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